



(Free translation from the original issued in Spanish)

GALAPAGOS LIFE FUND

FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2024

INDEX

Independent Auditors' Report

Statement of Financial Position

Statement of Income and Expenses

Statement of changes in Equity Fund

Statement of Cash Flows

Explanatory Notes to the Financial Statements



(Free translation from the original issued in Spanish)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors

Galapagos Life Fund

Quito, September 18, 2025

Opinion

We have audited the accompanying financial statements of Galapagos Life Fund Ecuador's operation ("hereinafter referred to as 'the Fund'"), which comprise the statement of financial position as of December 31, 2024, and the related statements of income and expenses, changes in endowment and cash flows for the year then ended, and the related notes to the financial statements, which comprise a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Galapagos Life Fund as of December 31, 2024, the performance of its operations and its cash flows for the year then ended in accordance with IFRS SME Accounting Standards as issued by the International Accounting Standards Board IASB.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are described below in the section "Auditor's Responsibilities for the Audit of the Financial Statements".

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

Independence

We are independent of Galapagos Life Fund in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA), and independence provisions that are applicable to our audit in accordance with regulations in Ecuador, and we have complied with other ethical responsibilities in accordance with such code and regulations.

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Galapagos Life Fund
Quito, September 18, 2025

Other information

Management is responsible for preparing the other information. The other information comprises the Annual Management Report, which does not include the financial statements or the audit report thereon, which was obtained prior to the date of our audit report.

Our opinion on the Fund's financial statements does not include such information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Annual Report and, in doing so, consider whether this information contains material inconsistencies in relation to the financial statements or to our knowledge obtained during the audit, or is otherwise materially misstated.

If, based on the work we have performed on this information obtained prior to the date of our audit report, we conclude that there are material inconsistencies in this information, we are required to report this fact to the Fund's Board of Directors. We have nothing to report in this regard.

Responsibility of the Fund's Management for the financial statements

Management of Galapagos Life Fund is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS SME Accounting Standards issued by the International Accounting Standards Board IASB and for such internal control as 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, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as appropriate, going concern matters and using the going concern basis of accounting, unless Management either intends to liquidate the company or to cease operations, or there is no more realistic alternative to closing its operations.

Those in charge of the Fund's Management are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibility in connection with the audit of the financial statements

The objectives of our audit 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 audit report that includes our opinion. Reasonable assurance is a high degree of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Material misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably influence the economic decisions that users make based on the financial statements.

As part of an audit conducted in accordance with International Standards on Auditing, we apply professional judgment and maintain an attitude of professional skepticism throughout the audit. Also as



Galapagos Life Fund
Quito, September 18, 2025

part of our audit, we:

- 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 due to fraud is higher than for a material misstatement due to error, as fraud may involve collusion, forgery, intentional omissions, deliberate misstatements, intentional 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 Fund's internal control.
- Assess the appropriateness of the accounting policies applied and the reasonableness of accounting estimates, as well as the related disclosures made by Management.
- Conclude on the appropriateness of Management'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to express a modified opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Fund 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 communicated with those responsible for the entity's Management regarding, among other matters, the scope and timing of the planned audit and significant audit findings, as well as any significant deficiencies in internal control that we identified during the course of the audit.

PRICEWATERHOUSE COOPERS

PriceWaterhouse Coopers del Ecuador Cia. Ltda.



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Nancy Frias

Partner

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GALAPAGOS LIFE FUND

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2024 (Expressed in U.S. dollars)

<u>ASSETS</u>	<u>Note</u>	<u>2024</u>	<u>2023</u>
Current assets			
Cash in banks available for project implementation and operations	7	8,050,020	2,054,983
Other assets	9	68,117	72,927
Total current assets		<u>8,118,137</u>	<u>2,127,910</u>
Non-current assets			
Cash at banks available for investment (Endowment)	7	185,916	-
Financial investments at fair value through profit or loss (Endowment) (*)	8	18,543,136	6,619,404
Fixed assets		14,753	1,088
Total non-current assets		<u>18,743,805</u>	<u>6,620,492</u>
Total assets		<u>26,861,942</u>	<u>8,748,402</u>

(*) Restricted investments. See note 8.

The accompanying notes are an integral part of the financial statements.



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Executive Director



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Francisco Carrillo
Accountant

GALAPAGOS LIFE FUND

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2024 (Expressed in U.S. dollars)

	<u>LIABILITIES AND EQUITY</u>	<u>Note</u>	<u>2024</u>	<u>2023</u>
Current liabilities				
Accounts payable to suppliers		10	298,209	86,662
Deferred income		11	7,621,414	-
Employee benefit liabilities			10,533	-
Other liabilities			19,210	17,820
Total current liabilities			<u>7,949,366</u>	<u>104,482</u>
Non-current liabilities				
Deferred income		11	17,547,750	8,593,048
Total non-current liabilities			<u>17,547,750</u>	<u>8,593,048</u>
Total liabilities			<u>25,497,116</u>	<u>8,697,530</u>
Equity Fund				
Retained earnings			50,872	-
Surplus		12	1,313,954	50,872
Total equity			<u>1,364,826</u>	<u>50,872</u>
Total liabilities and equity			<u>26,861,942</u>	<u>8,748,402</u>

The accompanying notes are an integral part of the financial statements.



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GALAPAGOS LIFE FUND

STATEMENT OF INCOME AND EXPENSES FOR THE YEAR ENDING DECEMBER 31, 2024 Expressed in U.S. dollars)

	<u>Note</u>	<u>2024</u>	<u>2023</u>
Donation Income	14	969,384	181,952
Administrative Expenses	15	(969,362)	(171,730)
Other financial income, net	16	1,313,932	40,650
Net surplus for the year		<u>1,313,954</u>	<u>50,872</u>

The accompanying notes are an integral part of the financial statements.



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GALAPAGOS LIFE FUND

**STATEMENT OF CHANGES IN THE EQUITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**
(Expressed in U.S. dollars)

	Net surplus for the year	Total
Balance as of 1 January 2023	-	-
Net surplus for the year	50,872	50,872
Balance as of 31 December 2023	50,872	50,872
Net surplus for the year	1,313,954	1,313,954
Balance as of 31 December 2024	1,364,826	1,364,826

The accompanying notes are an integral part of the financial statements.



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GALAPAGOS LIFE FUND

CASH FLOW STATEMENT FOR THE YEAR ENDING DECEMBER 31, 2024 (Expressed in U.S. dollars)

	<u>Note</u>	<u>2024</u>	<u>2023</u>
Operating Activities			
Surplus for the year		1,313,954	50,872
Non-cash movements			
Depreciation of computer equipment	15	2,413	85
Changes in assets and liabilities			
Advances from suppliers		9,738	(30,233)
Deferred income		16,576,116	8,593,048
Trade accounts payable		211,547	86,662
Other accounts receivable/payable, net		(3,538)	(24,874)
Employee benefits		10,533	-
Cash provided by operating activities		<u>18,120,763</u>	<u>8,675,560</u>
Investing Activities:			
Acquisitions of fixed assets		(16,078)	(1,173)
Financial investments at fair value through profit or loss, net (*)		(11,923,732)	(6,619,404)
Cash provided by investing activities		<u>(11,939,810)</u>	<u>(6,620,577)</u>
Cash:		6,180,953	2,054,983
Cash at beginning of year:		<u>2,054,983</u>	<u>-</u>
Cash at end of year:		<u>8,235,936</u>	<u>2,054,983</u>

(*) Restricted cash, see note 8.

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GALAPAGOS LIFE FUND

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

(Expressed in U.S. dollars)

1. GENERAL INFORMATION

1.1 Incorporation and operations

The Government of Ecuador formally declared the creation of the Brotherhood Marine Reserve in January 2023 through Presidential Decree 319. The new reserve included the expansion of 60,000 km² of marine protection to the waters surrounding the Galapagos Islands, creating the first open water marine reserve in the country. The Hermandad Marine Reserve was formally established in March 2023 through Ministerial Agreement 2023-019 to integrate it as a new protected area under ECUADORIAN regulations; an important area at the local, national and regional level due to its strategic location and connectivity.

In establishing the Brotherhood Marine Reserve, the importance of having a financial mechanism in place to ensure the implementation and effective Management of this new marine reserve and the existing Galapagos Marine Reserve was identified. After working with strategic partners and government institutions, the Government of Ecuador, with the support of the U.S. Development Finance Corporation (DFC), the Inter-American Development Bank (IDB), Credit Suisse, Oceans Finance Company B.V. (OFC), the Pew Bertarelli Ocean Legacy and Aqua Blue investments, the Ecuadorian Government closed the largest debt convertibility agreement of its kind in history.

Prior to the debt swap, the Ecuadorian government owed US\$2,725 million in principal and interest payments to bondholders, with a face value of US\$1,629 million in principal. GPS Blue acquired these bonds for US\$656 million through a one-week repurchase offer, financed through the issue of US\$656 million in private bonds called "Bonos para la Conservacion Marina de las Galapagos (Bonds for Galapagos Marine Conservation)".

Subsequently, GPS Blue exchanged the US\$1.629 million in bonds purchased with the Ecuadorian government in exchange for a new US\$656 million loan and the conversion of an additional US\$323 million into a funding commitment (which is the source of the funds provided to Galapagos Life Fund through the Conservation Financing Agreement).

In this exchange, GPS Blue forgave US\$624 million of principal on the purchased bonds, which generated an additional US\$502 million in interest savings, resulting in a total of US\$1,126 million in debt relief for the Government of Ecuador.

GPS Blue Financing Company (GPS Blue) signed a Conservation Financing Agreement with Galapagos Life Fund to provide US\$323 million for the conservation of the Galapagos Marine Reserve over a period of 18.5 years.

The Galapagos Life Fund was established on July 30, 2023 as a non-profit, non-equity organization in Delaware (USA) and is registered to operate in Ecuador as a non-profit entity by Executive Decree No. 735 of May 9, 2023.

(Free translation from the original issued in Spanish)

GALAPAGOS LIFE FUND

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

(Expressed in U.S. dollars)

For the donation of US\$323 million committed by GPS Blue Financing Company (GPS Blue), the entity signed a Conservation Financing Agreement with Oceans Finance Company B.V. and the Galapagos Life Fund, from which an average of US\$17.45 million per year will be allocated for 18.5 years, of which Galapagos Life Fund will allocate US\$12 million to projects aimed at the conservation of the reserve and US\$6 million will be restricted to the Investment Fund (managed by Bank of New York Mellon) which may only be used at the end of the agreement, i.e. from year 19 onwards.

In the first years, the programming of the funds to be delivered to the Fund is less than initially established in the Financing Agreement and most of them are destined for the constitution of the restricted fund, due to the fact that the Fund, being a new entity and being in a period of structuring the technical team necessary for the execution of projects, it is estimated that the projects executed will be limited during its first years. Therefore, Annexes A and B of the same agreement establish the following payment schedule:

<u>Project management</u>	<u>Allocation</u>	<u>Total committed</u>	<u>Total received (1)</u>	<u>To be received</u>
2,193,750	6,581,250	8,775,000	8,775,000	-
6,579,000	10,966,500	17,545,500	17,545,500	-
9,644,796	7,891,614	17,536,410	-	17,536,410
10,954,344	6,572,794	17,527,138	-	17,527,138
11,386,493	6,131,188	17,517,681	-	17,517,681
11,817,802	5,690,233	17,508,035	-	17,508,035
12,248,737	5,249,459	17,498,196	-	17,498,196
12,678,789	4,809,370	17,488,159	-	17,488,159
13,108,442	4,369,481	17,477,923	-	17,477,923
13,100,611	4,366,870	17,467,481	-	17,467,481
13,092,623	4,364,208	17,456,831	-	17,456,831
13,084,475	4,361,492	17,445,967	-	17,445,967
13,076,165	4,358,722	17,434,887	-	17,434,887
13,067,688	4,355,896	17,423,584	-	17,423,584
13,059,042	4,353,014	17,412,056	-	17,412,056
13,050,222	4,350,074	17,400,296	-	17,400,296
13,041,227	4,347,076	17,388,303	-	17,388,303
13,900,855	3,475,214	17,376,069	-	17,376,069
13,890,872	3,472,717	17,363,589	-	17,363,589
<u>222,975,933</u>	<u>100,067,172</u>	<u>323,043,105</u>	<u>26,320,500</u>	<u>296,722,605</u>

- (1) Comprised of the following items: i) income recognized in the year 2023 for US\$181,952, ii) income recognized in the year 2024 for US\$969,384, iii) balance of deferred income as of December 31, 2024 both in the short and long term for US\$25,169,164.

Galapagos Life Fund receives these funds from GPS Blue through a Conservation Funding Agreement. It should be noted that there are not two separate entities, but a single entity that was incorporated in Delaware and is registered to operate in Ecuador.

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GALAPAGOS LIFE FUND

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

(Expressed in U.S. dollars)

During the first year of operation of the Fund in Ecuador, these funds remain in a bank account from Galapagos Life Fund (Delaware), see notes 6 and 7.

1.2 Approval of financial statements

These financial statements have been approved by the Executive Director on May 7, 2025 and will be submitted to the Board of Directors for final approval.

1.3 Economic situation of the country

The world economy continues its slow recovery from the pandemic and the Ukraine-Russia war; in addition, several South American countries were hit by a drought season that caused an increase in food prices. The outlook in the region could worsen due to possible new effects associated with climate change and possible geopolitical tensions. In 2024, Ecuador faced major challenges related to the security and energy crisis that caused power outages throughout the country as a result of one of the plus droughts in recent years and dependence on hydroelectric plants that are not operating at full capacity. Miscellaneous entities and families nationwide have been affected by this problem, which have forced them to take alternative measures to continue operating. The Government has implemented important actions to address this situation, including an increase in the VAT rate from 12% to 15%, an increase in the percentage of the Tax on the Exit of Foreign Currency (ISD) from 3.5% to 5%, reduction and targeting of subsidies, establishment of a special contribution, among other measures.

The aforementioned does not affect the Fund operations since it has a clearly established objective that does not depend to a great extent on the economic situation of the country.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Measurement Basis

The financial statements of the Fund have been prepared in accordance with IFRS accounting standards for SMEs issued by the International Accounting Standards Board (IASB), effective as of December 31, 2024, which have been adopted in Ecuador and represent the full, explicit and unreserved adoption of the aforementioned international standards.

The financial statements have been prepared under the historical cost convention except for financial investments.

The preparation of financial statements in accordance with IFRS for SMEs requires the use of accounting estimates. It also requires Management to exercise judgment in the process of applying the Fund's accounting policies. Note 4 discloses areas involving a higher degree of judgment or complexity or areas

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GALAPAGOS LIFE FUND

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

(Expressed in U.S. dollars)

where assumptions and estimates are significant to the preparation of the financial statements. Due to the subjectivity inherent in this accounting process, actual results may differ from amounts estimated by Management.

For comparability purposes, certain reclassifications have been applied to the statement of financial position for the year 2023. The aforementioned generated an increase in total assets for US\$21,520 and a decrease in total liabilities for the same amount. Additionally, US\$2,011,798 was reclassified from current liabilities to long-term liabilities because it was not possible to execute this amount in 2024.

2.2 Support module for the IFRS for SMEs Standard

The IFRS Foundation has completed the set of 35 stand-alone modules created to assist those who are creating or using financial statements prepared in accordance with IFRS Accounting Standards for SMEs.

Each module covers a section of International Financial Reporting Standards for Small and Medium Enterprises and includes:

- Requirements: the full text of the section of International Financial Reporting Standards for Small and Medium-Sized Enterprises reproduced with added notes and examples. The notes and examples are designed to illustrate how to apply the requirements.
- Significant estimates and other judgments: a discussion of significant estimates and other judgments that are likely to be made in accounting for transactions and events in applying the section of International Financial Reporting Standards for Small and Medium-Sized Enterprises.
- Comparison with full IFRS: a summary of the main differences between the IFRS accounting standards for SMEs section and the corresponding full IFRS accounting standards.
- Test your knowledge: multiple choice questions designed to test your knowledge of the requirements of the IFRS Accounting Standards for SMEs section.
- Put your knowledge into practice: case studies, with solutions, designed to develop your ability to apply the sections of the IFRS Accounting Standards for SMEs.

Update on IFRS Accounting Standards for SMEs

The IFRS Foundation Board published the third edition of IFRS Accounting Standards for Small and Medium-Sized Enterprises on February 27, 2025. This update introduces several important amendments and is applicable for annual reporting periods beginning on or after January 1, 2027, earlier application may be permitted. Among the possible plus relevant changes are the following:

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GALAPAGOS LIFE FUND

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

(Expressed in U.S. dollars)

<u>Subject</u>	<u>Description</u>
Measurement of assets and liabilities	- Introduction of simplified options based on the business model. - Optional revaluation of certain assets.
Revenue recognition	- Simplified principles based on the transfer of control. - Adaptation for short-term contracts.
Disclosure requirements	- Reduction of non-essential information, prioritizing the usefulness for the user.
Leases	- Adoption of a simplified model similar to IFRS 16.
Financial instruments	- Simplified expected credit loss model.
Conceptual framework	- It is proposed to update the definitions and recognition criteria for assets and liabilities; clarify the concepts of prudence, Management, measurement uncertainty and substance over form.
Consolidation	- The definition of control is updated similar to that used by IFRS 10 on Consolidated Financial Statements.
Business combinations	- Includes an update on the definition of a company.

The Company's Management will perform a detailed analysis of the amendments once they become effective.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are described below. These policies have been designed in accordance with IFRS for SMEs in effect as of December 31, 2024 and applied uniformly to all years presented in these financial statements.

3.1 Transactions in foreign currencies

a) Functional and presentation currency

Items in the Fund financial statements are expressed in the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are expressed in U.S. dollars, which is the functional and presentation currency of the Fund. Unless otherwise indicated, the figures included in the accompanying financial statements are expressed in U.S. dollars.

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GALAPAGOS LIFE FUND

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

(Expressed in U.S. dollars)

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Gains and losses on foreign currency differences resulting from the settlement of these transactions and from the translation at closing exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income and expense. However, they are not material.

3.2 Financial assets and liabilities

a) Financial Assets:

Financial assets are classified into the following categories: "Cash in banks available for investment (Endowment)," Cash in banks available for project implementation and operations, and "Financial investments at fair value through profit or loss (Endowment)."

The classification depends on the nature and purpose of the financial assets and is determined at initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized at the transaction date. Regular purchases or sales are all purchases or sales of financial assets that require the delivery of assets within the time frame established by regulation or agreement in the market.

Effective interest rate method

The effective interest rate method is a method of calculating the amortized cost of a financial instrument and of allocating financial revenue over the relevant period. The effective interest rate is the discount rate that exactly matches the estimated cash flows receivable or payable (including commission, basis points of interest paid or received, transaction costs and other premiums or discounts that are included in the calculation of the effective interest rate) over the expected life of the financial instrument or, where appropriate, a shorter period, with the net carrying amount at initial recognition.

Income is recognized based on the effective interest rate.

Cash and banks (Operations and projects) See Note 7

Financial investments at fair value through profit or loss (Endowment)

Financial investments at fair value through profit or loss correspond to endowment funds received in accordance with the payment schedules established in the Conservation Financing Agreement. These are financial instruments acquired with the objective of selling them or repurchasing them

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GALAPAGOS LIFE FUND

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

(Expressed in U.S. dollars)

in the near future and, from the moment of initial recognition, have been designated as such to reduce or eliminate possible accounting asymmetries.

b) Financial liabilities:

Financial liabilities are classified as current liabilities unless the Fund has an unconditional write-off right to defer payment of the obligation for at least 12 months after the statement of financial position date, the Fund maintains liabilities within the category of other financial liabilities and corresponds mainly to:

Accounts payable to suppliers

These are payment obligations acquired for goods or services purchased from local and foreign suppliers in the normal course of business. They are recognized at their nominal value, which is equivalent to their amortized cost, since they do not accrue interest and are payable within 30 days.

Derecognition of financial assets and liabilities

A financial asset is eliminated when the rights to receive cash flows from the asset expire or if the Fund transfers the asset to a third party without substantially all the risks and rewards of the asset. A liability is eliminated when the Fund's obligations specified in the contract have been settled.

3.3 Impairment of financial assets

The Fund assesses at the end of each reporting period whether there is objective evidence of impairment of a financial asset or group of financial assets. The Fund establishes a provision for impairment losses on its accounts receivable when there is objective evidence that it will not be able to collect all amounts due according to the original terms of the receivables. The existence of significant financial difficulties on the part of the debtor, the likelihood that the debtor will enter bankruptcy or financial reorganization, and the failure or delinquency of payments are considered indicators that the accounts receivable are impaired.

3.4 Clearing of financial instruments

Financial assets and liabilities are offset and presented at the corresponding net value in the statement of financial position if:

- There is currently a legally enforceable write-off right to offset recognized securities under a written agreement between the parties.

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GALAPAGOS LIFE FUND

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

(Expressed in U.S. dollars)

- The intention is to settle them at net value or to realize the assets and settle the liabilities simultaneously.

3.5 Other assets

Correspond mainly to payments made in advance for goods and services to be received at a later date. The Fund transfers these amounts to income upon receipt of the goods or services.

3.6 Computer equipment

Computer equipment is recorded at cost, less Accrued Depreciation and impairment losses, if any. Cost includes expenditures directly attributable to the acquisition or construction of the asset.

Depreciation of computer equipment is calculated on a straight-line basis based on the estimated useful lives of the equipment, or of those significant identifiable components that have different useful lives. The estimated useful lives and residual values of fixed assets are reviewed, and adjusted if necessary, at each balance sheet date. Depreciation of assets is charged to income for the year.

The estimated useful life of the computer equipment is 3 years.

3.7 Taxes

Due to the nature of its operations, the Fund is subject to the following taxes:

Value Added Tax (VAT): This tax is levied on the value of the transfer of the services of advertising.

Tax on the Exit of Foreign Currency (ISD): This tax is levied on the transfer, remittance or transfer of foreign currency abroad. The current ISD rate is 5%.

These taxes are accounted for on an accrual basis.

Since the Fund is a non-profit organization under private law, its income, in accordance with the Internal Tax Regime Law, is exempt from income tax, provided that its assets and income are used for its specific purposes and only to the extent that it is directly invested in them.

In addition, any surplus must be invested in its specific purposes until the end of the following fiscal year, therefore, the Fund does not have the obligation to generate income tax payable and deferred income tax.

(Free translation from the original issued in Spanish)

GALAPAGOS LIFE FUND

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

(Expressed in U.S. dollars)

As a non-profit entity, the Fund is exempt from paying income tax, in accordance with current legal provisions. However, it must comply with its obligation as a withholding agent of such tax in the case of employees under a dependency relationship and the application of purchase settlements for the nationalization of an expense incurred abroad.

3.8 Deferred income

Corresponds to the recognition of funds established in the Conservation Financing Agreement as follows:

Project Management. - Corresponds to disbursements associated with day-to-day accounts, including operating costs and expenses. In addition to funds allocated to finance marine conservation projects in the Galapagos Islands.

Allocation. - Corresponds to the disbursements destined to finance the activities of the fund after the conclusion of the Conservation Financing Agreement, which has a term of 18.5 years (See note 1). This endowment must be managed by an independent, internationally established and recognized investment manager.

In addition, this endowment has a restriction of use with respect to past, present or future disbursements that will be held in escrow by a securities intermediary (New York Mellon Bank) until such time as the Conditions set forth in the Conservation Financing Agreement have been satisfied.

3.9 Equity Fund

It is comprised of the retained surplus (deficit) retained for each year and comes from the amount of contributions minus the expenses accrued. When a deficit is generated, the Fund compensates it with the retained surplus from previous years and/or requests a budget addition if necessary.

3.10 Reinvestment of surplus

In accordance with the provisions of Article 3, Chapter I, Title II of the Legal Status Regulations for Social Organizations, the surpluses (surplus) generated at the end of each fiscal year must be reinvested in the achievement of the social objectives, the development of the organization or as a reserve to be used until the end of the following fiscal year.

In addition, in accordance with Article 9, paragraph 5 of the Internal Tax Regime Law LRTI, in order to maintain its income tax exemption, the Fund must demonstrate annually that it carried out such reinvestment (See Note 13).

(Free translation from the original issued in Spanish)

GALAPAGOS LIFE FUND

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

(Expressed in U.S. dollars)

3.11 Revenue recognition

The Fund maintains income from disbursements established in the Financing Agreement which are earmarked for operating costs and expenses, in addition to marine conservation projects in the Galapagos Islands. They are recorded as deferred income and are recognized as income for the year as they are used in the execution of the various projects or to assume operating costs and expenses.

3.12 Expenses

Expenses are recognized on an accrual basis or when incurred. An expense is recognized immediately when the expenditure incurred does not produce future economic benefits.

4 ACCOUNTING ESTIMATES AND CRITICAL JUDGMENTS

Critical estimates and judgments are evaluated on an ongoing basis. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Fund and are believed to be reasonable under the circumstances.

The areas involving accounting estimates or critical judgments are:

- impairment of financial and non-financial assets
- useful life of computer equipment
- Fair value of financial investments

The preparation of financial statements requires Management to make estimates and use assumptions that affect the amounts included in these financial statements and related notes. The accounting estimates and critical judgments used by the Fund are based on historical experience, changes in the industry and information provided by qualified outside sources. However, actual results could differ from those estimates under certain conditions.

Material accounting estimates and policies are defined as those that are important to properly reflect the financial position and results of the Fund and/or those that require a high degree of Management judgment.

The main estimation and application of professional judgment are related to the following concept:

- Computer equipment: Determination of useful lives, residual value and impairment are assessed at the close of each year.

(Free translation from the original issued in Spanish)

GALAPAGOS LIFE FUND

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

(Expressed in U.S. dollars)

- Estimated fair value of financial investments: The Fund measures its investments under Level 1 “Market prices of financial assets” as established by IFRS 13 “Fair value measurement”.

5 RISK MANAGEMENT

5.1 Financial risk factors

Due to the nature of its activities, the Fund is not exposed to credit, interest rate, liquidity and exchange rate risks, as it is a non-profit entity created with a social purpose, it receives its contributions from GPS Blue through the issue of Galapagos Marine Conservation Bonds. The risk Management process is critical to fulfill the social purpose for which the Fund was created and each person within the Fund is responsible for the risk exposures related to their responsibilities.

Risk Management is controlled by the Board of Directors following established policies and procedures in order to minimize any significant impact. The financial risks to which the Fund is exposed are presented below.

a) Market risk

The Fund is not exposed to this risk since the funds for the operation are guaranteed by the Financing Agreement; additionally, such funds are safeguarded in a Trust Fund that accrues variable interest.

The credit ratings of the financial institution in which Galapagos Life Fund (Delaware) holds the mutual fund are as follows:

	Rating 2024	Rating 2023
<u>Foreign Banks (*)</u>		
Banco New York Mellon	AA-	AA-

(*) Data obtained from the Fitch Rating website.

b) Interest rate risk

Interest rate risk is the risk of fluctuation in the fair value of future cash flows of a financial instrument due to changes in market interest rates. The Fund has no major exposure to the risk of changes in market interest rates because it has no financial obligations, the method of financing is through grants established under a Financing Agreement, see note 1.

(Free translation from the original issued in Spanish)

GALAPAGOS LIFE FUND

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

(Expressed in U.S. dollars)

c) Credit risk

The Fund, due to the social purpose for which it was created, does not maintain accounts receivable from clients; on the other hand, the Fund executes social and environmental care projects in various projects, the funds that these require to execute the activities approved as part of the subscription of the cooperation agreements, these funds are subject to verification and review by the Board of Directors of the Fund in order to verify the correct use of the same.

As of 31 December 2024, there are no concentrations of credit risk.

d) Liquidity risks

Liquidity risk is the risk that the Fund will not be able to meet its payment obligations related to financial liabilities when due and replace the funds when they are withdrawn. The consequence would be a default in the payment of its obligations to third parties.

5.2 Capital Risk Management

The Fund objectives in managing capital are to safeguard its ability to continue as a going concern for the purpose of generating surplus and to maintain an optimal capital structure to reduce the cost of capital.

The Fund monitors its capital on the basis of the leverage ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including accounts payable to suppliers and other payables) less cash. Total capital is calculated as equity plus net debt.

As of 31 December 2024, the leverage ratios were as follows:

	<u>2024</u>	<u>2023</u>
Accounts payable to suppliers	298,209	86,662
Less:	<u>(8,235,936)</u>	<u>(2,054,983)</u>
Net debt	(7,937,727)	(1,968,321)
Total net equity	1,364,826	50,872
Total capital	<u>(6,572,901)</u>	<u>(1,917,449)</u>
Leverage ratio	0%	0%

Due to the endowment maintained by the Fund (see note 1), it has no leverage.

(Free translation from the original issued in Spanish)

GALAPAGOS LIFE FUND

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Expressed in U.S. dollars)

6 FINANCIAL INSTRUMENTS

Categories of financial instruments

The book values of each category of financial instruments at year-end are presented below:

	<u>2024</u>		<u>2023</u>	
	<u>Current</u>	<u>Non Current</u>	<u>Current</u>	<u>Non Current</u>
Financial assets measured at amortized cost				
Cash at banks available for investment (Endowment)	-	185,916	-	-
Cash in banks available for project implementation and operations	8,050,020	-	2,054,983	-
Financial assets at fair value through profit or loss (VR- Results)				
Financial investments at fair value through profit or loss	-	18,543,136	-	6,619,404
Total financial assets	<u>8,050,020</u>	<u>18,729,052</u>	<u>2,054,983</u>	<u>6,619,404</u>
Financial liabilities measured at amortized cost				
Accounts payable to suppliers	298,209	-	86,662	-
Total financial liabilities	<u>298,209</u>	<u>-</u>	<u>86,662</u>	<u>-</u>

Fair value of financial instruments

Given the characteristics of financial instruments, their book value corresponds to or approximates their fair value due to their short-term nature. Financial investments are valued at market value.

7 CASH IN BANKS

	<u>2024</u>	<u>2023</u>
Cash in banks available for investment (Endowment)	185,916	-
Cash in banks available for project implementation and operations	8,049,520	2,054,983
Petty cash	500	-
	<u>8,235,936</u>	<u>2,054,983</u>

(Free translation from the original issued in Spanish)

GALAPAGOS LIFE FUND

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

(Expressed in U.S. dollars)

- (1) Held at Bank of New York Mellon in the Endowment account, the use of which is limited to reinvestments in the Endowment (see note 8).
- (2) Corresponds to donations released and placed in GLF's account at the Bank of New York Mellon in New York delivered in accordance with the payment schedule established in the Conservation Financing Agreement for project management and operation. See notes 1 and 11.

The classification is as follows:

	<u>2024</u>	<u>2023</u>
Short term	8,050,020	2,054,983
Long term	<u>185,916</u>	<u>-</u>
	<u>8,235,936</u>	<u>2,054,983</u>

The Fund maintains its cash in financial institutions in the following categories:

	<u>Rating (1)</u>	
<u>Financial Entities (a)</u>	<u>2024</u>	<u>2023</u>
<u>Local Banks</u>		
Banco del Pacífico S.A.	AAA / AAA-	AAA / AAA-
<u>Foreign banks (b)</u>		
Banco New York Mellon	AA-	AA-

- (a) Data obtained from the Superintendency of Banks website as of December 31, 2024 and December 31, 2023, respectively.
- (b) Data obtained from Fitch Rating's web page.

(Free translation from the original issued in Spanish)

GALAPAGOS LIFE FUND

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

(Expressed in U.S. dollars)

8 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - ENDOWMENT

As of 31 December 2024 the financial investments at fair value consisted of the following:

	<u>2024</u>	<u>2023</u>
Investment Portfolio (1)	<u>18,543,136</u>	<u>6,619,404</u>

- (1) Endowment refers to donations released and placed in the Endowment account at Bank of New York Mellon in New York, delivered in accordance with the payment schedule established in the Conservation Financing Agreement for the management of projects in the Galapagos Islands beginning in 2019, once the Investment Agreement has expired. These donations are invested in a diversified portfolio managed by Bank of New York Mellon in accordance with the agreement signed on February 8, 2024, with the objective of achieving an aggregate return from capital appreciation and income from capital and interest. See notes 1 and 11.

The detail of investments is as follows:

<u>Type</u>	<u>Name</u>	<u>Price</u>	<u>Value</u>
Investment Portfolio	Dbx Etf Tr Xtrackers Emrg Mkts Car	29	875,597
Investment Portfolio	Ishares Esg Msci Kld 400 Etf	110	7,159,525
Investment Portfolio	Ishares Tr Esg Aware Us Aggregate Bond	46	3,794,194
Investment Portfolio	NuShares E Nuveen Esg Small-Cap Etf	42	1,250,077
Investment Portfolio	Schwab U.S. Tips Etf	26	942,175
Investment Portfolio	Vanguard W Esg International Stock	57	2,588,992
Investment Portfolio	Vanguard Emerging Mkt Govt Bond I	63	1,034,650
Investment Portfolio	Vanguard Real Estate Etf	89	<u>897,926</u>
			<u>18,543,136</u>

(Free translation from the original issued in Spanish)

GALAPAGOS LIFE FUND

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

(Expressed in U.S. dollars)

9 OTHER ASSETS

As of 31 December 2024 the other assets consisted of the following:

	<u>2024</u>	<u>2023</u>
Prepaid expenses (1)	27,809	30,221
Advances to suppliers (2)	20,495	30,233
Insurance paid in advance	8,671	8,773
Unidentified payments	5,822	-
Guarantees receivable	3,700	3,700
Advances to personnel	1,620	-
	<u>68,117</u>	<u>72,927</u>

(1) Corresponds mainly to banking services from the Bank of New York Mellon for US\$25,277 and representation services to CT Corporation for US\$2,531.

(2) Corresponds mainly to banking services of the Bank of New York Mellon for US\$18,079.

10 ACCOUNTS PAYABLE TO SUPPLIERS

As of 31 December 2024, suppliers were formed as follows:

	<u>2024</u>	<u>2023</u>
Foreign suppliers (1)	253,693	80,000
Local suppliers	<u>44,516</u>	<u>6,662</u>
	<u>298,209</u>	<u>86,662</u>

(1) Corresponds to legal expenses with Baker McKenzie for US\$70,000, professional fees with NLA International Ltd, Oceans Finance Company B.V and Coco Consulting for US\$84,762, US\$87,850 and US\$10,105 respectively; the last amount corresponds to representation expenses with CT Corporation for US\$977.

(Free translation from the original issued in Spanish)

GALAPAGOS LIFE FUND

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

(Expressed in U.S. dollars)

11 DEFERRED INCOME

As of 31 December 2024, deferred income was formed as follows:

	<u>2024</u>	<u>2023</u>
Project Management (1)	7,621,414	-
Allocation (2)	<u>17,547,750</u>	<u>8,593,048</u>
	<u>25,169,164</u>	<u>8,593,048</u>

Corresponds to funds disbursed by GPS Blue through the Conservation Financing Agreement to cover costs, expenses and financing of projects designed to support and promote the maintenance, growth and security of the natural capital of the Galapagos Islands and their marine ecosystems. Its composition is as follows:

- (1) The Fund expects to use a large part of this balance in the project "Cooperative Strengthening of the Control and Surveillance System of the Galapagos National Park Directorate, the Ecuadorian Navy, and the Undersecretariat of Fisheries Resources to Safeguard the Hermandad Marine Reserve and the Galapagos Marine Reserve," which is expected to be executed during 2025.

As part of the execution of this project, the transfer of resources through grants to the following co-executors is contemplated:

Jocotoco Foundation: US\$ 3,003,000

WildAid Foundation: US\$ 2,997,000

The remainder of the balance will be executed directly by the Fund in accordance with its operating and budgetary plan.

- (2) Disbursements to be used in the long term, after year 18.5 in accordance with the Financing Agreement, See note 1.

These disbursements remain as investments in the endowment account from Galapagos Life Fund (Delaware), see Note 8.

(Free translation from the original issued in Spanish)

GALAPAGOS LIFE FUND

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

(Expressed in U.S. dollars)

12 EQUITY FUND

Includes the surplus for the year 2024. The surplus generated at the end of each year can be freely used in the following periods according to the investment plan and projects carried out by the Fund and approved by the Board of Directors of Galapagos Life Fund.

13 REINVESTMENT OF SURPLUS

As of 31 December 2024 and 2023 the Fund has retained the following detail of surpluses which it expects to invest in the execution of new projects starting in 2025.

	<u>2024</u>	<u>2023</u>
Surplus for fiscal year 2023	50,872	50,872
Surplus for fiscal year 2024	<u>1,313,954</u>	<u>-</u>
	1,364,826	50,872

14 INCOME FROM DONATIONS

Composition:

	<u>2024</u>	<u>2023</u>
Project management (1)	<u>969,384</u>	<u>181,952</u>

(1) Corresponds to disbursements used to cover costs, operating and Management expenses for the year.

(Free translation from the original issued in Spanish)

GALAPAGOS LIFE FUND

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

(Expressed in U.S. dollars)

15 EXPENSES BY NATURE

	<u>2024</u>	<u>2023</u>
Professional fees	774,499	160,935
Food	9,453	2,463
Leases	22,265	1,850
Personnel expenses	43,683	-
General insurance	12,581	3,613
Supplies and materials	18,600	-
Transportation	7,534	-
Travel expenses	7,896	-
Basic services	2,250	-
Taxes, fees, and contributions (1)	47,624	-
Maintenance	5,657	-
Depreciation	2,413	85
Bank expenses	86	-
Other expenses (2)	14,821	2,784
	<u>969,362</u>	<u>171,730</u>

(1) Corresponds mainly to VAT charged to the expense of different suppliers for US\$47,608 and expenses corresponding to Galapagos national park fees of US\$15.

(2) Corresponds mainly to expenses for accounting software installation services of US\$230, as well as web maintenance and installation expenses of US\$5,326 and expenses for events related to Galapagos Life Fund's call for proposals of \$9,286.

(Free translation from the original issued in Spanish)

GALAPAGOS LIFE FUND

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

(Expressed in U.S. dollars)

16 OTHER FINANCIAL REVENUE, NET

Composition:

	<u>2024</u>	<u>2023</u>
<u>Financial income</u>		
Gain on Investment Valuation Endowment(1)	653,989	-
Dividends and Interest Earned Endowment(1)	507,239	38,154
Interest Earned Account(1)	214,983	12,718
<u>Financial expenses</u>		
Banking services	<u>(62,279)</u>	<u>(10,222)</u>
	<u>1,313,932</u>	<u>40,650</u>

- (1) Corresponds to dividends and bank interest generated by maintaining disbursements received in the accounts of the Bank of New York Mellon. See note 11.

17 MAIN AGREEMENTS

Foreign Company Support Agreement: entered into between GPS Blue Financing Designated Activity Company as secured lender, Oceans Finance Company B.V. as Project Manager, and United States International Development Finance Corporation as underwriter. The purpose of this agreement is to ensure that the activities, operations and assets comply with each of the applicable environmental, health and safety, and social performance laws.

Conservation Financing Agreement: entered into between GPS Blue Financing Designated Activity Company as secured lender, Oceans Finance Company B. as founding member and New York Mellon Bank as securities intermediary. The objective of this agreement is that the Management of any funds received will be exclusively for the marine conservation project in the Galapagos Islands. This agreement defines two types of funds, as follows:

Account funding: corresponds to the funds that will be used to finance daily operations, as well as all projects designed to support and promote the maintenance, growth and security of the natural capital of the Galapagos Islands and its marine ecosystems.

Endowment account funding: corresponds to funds that will be invested capitalized for 18.5 years and will be used to continue activities designed to support and promote the maintenance, growth and security of the natural capital of the Galapagos Islands and their marine ecosystems. These funds will be held in the custody of an international financial institution of recognized prestige.

(Free translation from the original issued in Spanish)

GALAPAGOS LIFE FUND

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

(Expressed in U.S. dollars)

Basic operating agreement: entered into between the Ministry of Foreign Affairs and Human Mobility and Galapagos Life Fund Ecuador to establish the Fund's guidelines for the development of its programs, projects and cooperation activities with the profit sharing of public and/or private sector entities.

In addition to supporting and promoting the maintenance, growth and security of the natural capital of the Galapagos Islands and its marine ecosystems, by providing grants or funding to organizational projects, government agencies and other entities for environmental and social development projects, including biodiversity, economic, sustainability and climate change aspects.

Investment Management Agreement: New York Mellon Bank shall provide Galapagos Life Fund with discretionary investment Management services and provide certain monthly reporting services on investment performance analysis.

Investment Management Agreement: New York Mellon Bank shall provide Galapagos Life Fund with discretionary investment Management services and provide certain monthly reporting services on investment performance analysis.

Legal services agreement: entered into between Baker & McKenzie LLP and Galapagos Life Fund for the purpose of representing the fund in connection with Management level matters, incorporation and formation of the fund in the United States and Ecuador for a total fee of US\$ 245,000 for a term of 4 years. The fee will be paid US\$70,000 in each of the years 2024 and 2025 and US\$35,000 in the year 2026.

18 SUBSEQUENT EVENTS

Between December 31, 2024 and the date of issue of these financial statements there were no events that, in the opinion of the Fund Management, that would have a material effect on the financial statements or require disclosure.

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