INFORMATION DOCUMENT EURONEXT GROWTH

FacePhi
Beyond Biometrics

FEBRUARY 21st, 2020

FacePhi

Facephi Biometría, S.A.

C/ México, 20 Edificio Marsamar, 3ºC (03008) Alincante-SPAIN

"Registro Mercantil de Alicante al número:" A- 54659313

Hereinafter "FacePhi" or "The Company"

INFORMATION DOCUMENT

EURONEXT GROWTH PARIS

DIRECT ADMISSION TO NEGOTIATION

ADVERTISSEMENT

Euronext Growth is a market operated by Euronext. Companies on Euronext Growth are not subject to the same rules as companies on a Regulated Market (a main market). Instead they are subject to a less extensive set of rules and regulations adjusted to small growth companies. The risk in investing in a company on Euronext Growth may therefore be higher than investing in a company on a Regulated Market.

The present Information Document does not constitute a prospectus within the meaning of Regulation (EU) 2017/1129 of the European Parliament abd of the Council of 14 of June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71.

The present Information Document has been drawn up under the responsibility of FACEPHI. It has been reviewed by PMS, Asesores Registrados, S.L. and has been subject to an appropriate review of its completeness, consistency and comprehensibility by Euronext.

We declare that, to the best of our knowledge, the information provided in this Information Document is accurate and that, to the best of our knowledge this Information Document is not subject to any (material) omissions, and that all relevant information is included in this Information Document.

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1. GENERAL INFORMATION OF FACEPHI AND ITS BUSINESS

1.1. Persons responsible for the information contained in the Document:

Mr. Salvador Martí Varó in the name and on behalf of Facephi Biometría, S.A. (hereinafter "FACEPHI", "the Company", "the Issuer") in his condition of Chairman of the Board of Directors, and Managing Director, takes ownership of the content of this Information Document prepared as part of the application for admission to Euronext Growth (hereinafter "Information Document").

Likewise, Mr. Salvador Martí Varó, as the person responsible for this Information Document, declares, in accordance with his knowledge and judgment, that the information contained is accurate and that there are no omissions that may alter its scope.

1.2. Company Auditor of Accounts:

The annual accounts of the Company referred to the financial year closed in 2018 have been the subject of an auditor report issued by Auren Auditores, S.P., S.L.P., company registered in Madrid´s Mercantile Registry with address in General Perón Avenue, 38, 28020, Madrid (SPAIN), with Identification number B-87352357.

Auren was designated FACEPHI´s auditor on June 15, 2017 by the General Shareholders Meeting.

The Annual Accounts were audited according to the Spanish Accounting Regulations ("Plan General Contable").

1.3. Company name and complete identification of the Company and its social object:

COMPANY NAME: FACEPHI BIOMETRÍA, S.A.

FACEPHI is a public limited company of unlimited duration with registered headquarters in Alicante, México St. nº 20, Marsamar Building, 3ºC (03008)-SPAIN, with identification number: A- 54659313.

The Company was registered by means of a public deed authorized by the Notary of Almasa Mr. Ignacio Javier Torres López under number 750 of its protocol and is registered in the Mercantile Registry in volume 3.634, page 59, sheet A131.726.

FACEPHI´s social object is included in the article 2 of its articles of association:

"The research, development and marketing of all types of computer equipment, hardware, software and appliances.

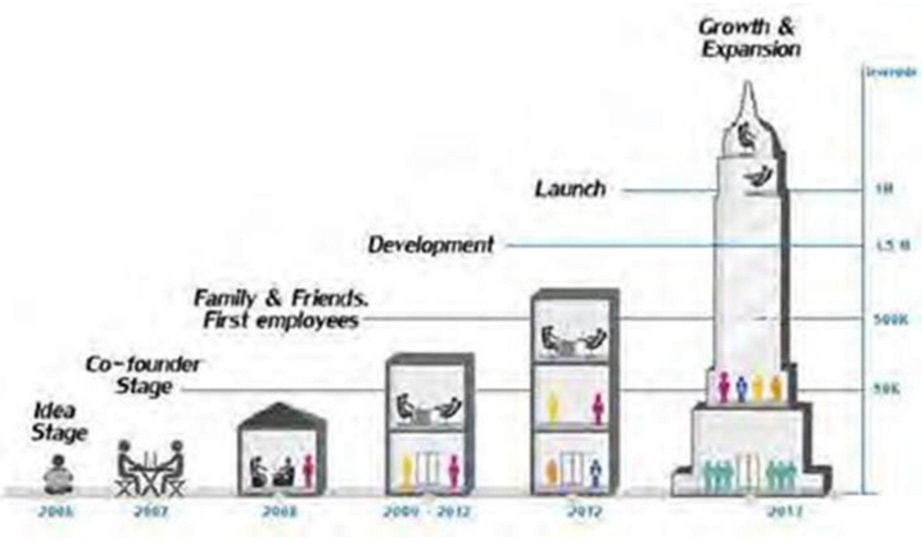
Online sales through the internet and/or similar distribution channels, import, export, representation, marketing, distribution, intermediation, wholesale and retail sale, development, handling, manufacturing and related services of hardware, software in physical support and through commercialization of licenses for use, products and electronic components, appliances and telecommunications

The execution of Internet activities, as well as the provision of information and training services.

The promotion, construction, acquisition, transmission, intermediation, lease (except financial leasing), subletting, installation or exploitation directly or indirectly, advisory services, urban land management, consulting, administration, custody and management of all kinds of real estate, plots, plots of any kind of urban qualification, buildings, bungalows, apartments, chalets, urbanizations, sports fields, room houses, premises and industrial or business facilities, catering establishments, all with or without furniture, on their own and from third parties, and publicly or privately owned".

1.3. Brief exhibition on the history of the company

1.3.1. History of the Company



Source: FacePhi

- FACEPHI was established on September 26, 2012 under the name "Facephi Biometría, S.L."

- On December 10, 2012 there was a capital increase, with the issuance of 300 new shares (social participations, as it was a limited liability company) by agreement of the General Partners Meeting, presented to the public before Notary of Almansa Mr. Ignacio Javier Torres López, under the number 1098 of its protocol, duly registered in the Mercantile Registry of Alicante.

- On April 29, 2014, there was a capital increase of 375 new participations, which was approved at the General Partners Meeting and made public by Notary of Almansa Mr. Ignacio Javier Torres López, under the number 474 of its protocol, duly registered in the Mercantile Registry of Alicante.

- On June 2, 2014, by agreement of the ordinary and Extraordinary General Meeting, the Company transformed itself into a Public Limited Company ("Sociedad Anónima"). As a result, it was decided to transform the capital structure, so that the 396.900 participations that were worth 1 euro of nominal value each, became 9,922,500 shares of € 0,04 of the same class, with an exchange ratio of 25 new shares for 1 participation.

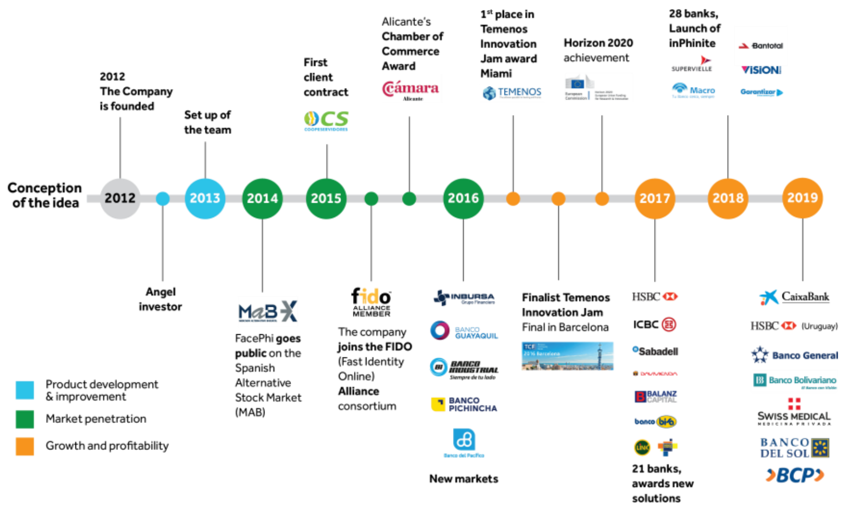
    - This agreement was raised to a Public Deed before the Notary of Almansa, Mr. Ignacio Javier Torres López with the number 600 of its protocol and was duly registered in the Mercantile Registry of Alicante.

- On July 1st, 2014 after the agreement of the General Shareholders Meeting, the Company went public in Spain on the Alternative Stock Market (MAB).

- Since 2014, the Company has been consistently growing and in 2015, it signed its first client contract.

- In 2014, 2015 and 2016 the Company efforts were focused on market penetration. At the same the Issuer developed and improved its product. FACEPHI joined "FIDO" and received several awards in recognition of its innovation work.

- During the last three years, FACEPHI has become profitable, improving its profitability every single year. It has signed several contracts and currently has more than 30 clients. It has also developed several products and is becoming increasingly recognized in its sector as it keeps increasing the number of licenses sold by the Company.



Source: FacePhi

1.3.2. Evolution of FACEPHI's shareholding structure:

- **Origins**

In 2006, Mr. Salvador Martí Varó, with other partners, constituted the "Instituto Biométrico de Reconocimiento Facial F7, S.L." (Biometric Recognition Institute) (hereinafter, F7 Corporation) to develop the facial recognition software project. During the following years, Mr. Javier Mira Miró and Mr. Juan Alfonso Ortiz Company joined the project as partners of F7 Corporation.

Until 2012, F7 Corporation was active, but following the constitution of FACEPHI, there was a transfer of its main asset (facial recognition algorithm) leaving it as an empty company.

- **Incorporation**

The Company was incorporated with a share capital of THREE THOUSAND EUROS (€ 3,000), divided into 3,000, indivisible and accumulative participations, numbered from 1 to 3,000, both inclusive, with a nominal value of ONE EURO (€ 1) each. The shareholding base was split as follows:

Initially, the Company's governing body was a sole administrator, a position held by Don Jorge Company Barber.

Name	Number of participations	Distribution	Euros	Percentage
Jorge Company Barber	2.820	1 - 2.820	2.820,00 €	94%
Javier Barrachina Giménez	15	2.821 - 2.835	15,00 €	0,50%
José Carlos Martinez Burgui	15	2.836 - 2.850	15,00 €	0,50%
Juan Miguel Sánchez Torrecillas	15	2.851 - 2.865	15,00 €	0,50%
Alejandro González Galiana	15	2866 - 2.880	15,00 €	0,50%
Jorge Sanz Estrada	30	2.881 - 2.910	30,00 €	1%
Vicente Terol San Roman	90	2.911 - 3.000	90,00 €	3%

- **Change of management body**

On November 15, 2012 there was a change in the structure of the management body, so the sole administrator resigned, and it was agreed that the Company would be governed by two joint administrators: Mr. Salvador Martí and Mr. Javier Mira , agreement which was authorized by the Notary of Almansa D. Ignacio Javier Torres López, under number 961 of its protocol.

- **Capital increase**

On December 10, 2012, the share capital was increased by Three Hundred Euros (€ 300), through the issuance of three hundred new social shares of ONE EURO (€ 1) of nominal value each, numbers 3.001 to 3.300, both inclusive, whose deed is duly registered in the Mercantile Registry of Alicante. The new shares were subscribed and paid in full by:

Name	Number of participations	Distribution	Euros	Percentage
José Cristobal Callado Solana	150	3,001 - 3,150	150.00 €	4.55%
Tomás Catalán Carrión	150	3,151 - 3,300	150.00 €	4.55%

- **Purchase of shares by Mr. Salvador Martí, Mr. Javier Mira, and Mr. Juan Alfonso Ortiz Company**

At the end of 2012, Mr. Jorge Company Barber, who was FACEPHI's majority shareholder at that time, sold his shares privately to Mr. Javier Mira, Mr. Salvador Martí and Mr. Juan Alfonso Ortiz Company, the three of them becoming FACEPHI’s majority shareholders

- **Capital increase and change of management structure**

On April 29, 2014, the share capital was increased by three hundred seventy and five euros (€ 375) with a premium of One Million Two Hundred and Forty-Nine Thousand Six Hundred and Twenty-Three Euros, and Seventy-Five Cents (1,249,623.75€). The new shares were paid in full, by sixty-six new members with a percentage each of less than 1% of the share capital.

The capital increase took place through the issuance of Three Hundred Seventy Five (375) new shares of one euro (€ 1) of nominal value and an a share premium of Three Thousand Three Hundred Thirty Two Euros and Thirty Three Cents (€ 3,332.33) each of them numbered correlatively from 3,301 to 3,675, both inclusive.

This financial transaction was taken as a reference for the determination of the price of incorporation of the shares on the MAB, which was done at € 1.23 per share, implying a company valuation of € 12,249,623.75.

At the same time, it was agreed a change in the structure of the governance structure, so the joint administrators were dismissed, and it was decided to govern the company through a Board of Directors formed by three members:

- Mr. Salvador Martí: Chairman of the Board.
- Mr. Juan Alfonso Ortiz Company: Secretary of the Board
- Mr. Javier Mira: Deputy Chairman of the Board

- **Transformation of the Company and capital increase:**

On June 2, 2014, there was a capital increase agreed through the capitalization of the Company's share premium, by Three Hundred Ninety Three Thousand Two Hundred Twenty Five Euros (€ 393,225) through the issuance of Three Hundred Ninety Three Thousand Two Hundred Twenty Five (393,225) new shares of ONE EURO (€1) of nominal value, reaching a total capital figure of Three Hundred Ninety Six Thousand Nine Hundred Euros (€ 396,900).

At the same time, the Company was transformed into a Public Limited Company and realized the exchange of the Three Hundred Ninety Six Thousand Nine Hundred shares in Nine Million Nine Hundred Twenty Two Thousand Five Hundred shares, of four cents (€ 0.04)) of nominal value per share, represented by book entries, numbers from 1 to 9,922,500 fully-paid. The deed, granted on June 5, 2014, by the Notary of Almansa, Mr. Ignacio Javier Torres López, under the number 600 of his protocol, is duly registered in the Mercantile Registry of Alicante, Volume 3634, section 63, Sheet A-131.726, 7th Registration.

- **MAB:**

The Company listed its shares on the MAB (Alternative Stock Market)-Spain on July 1st, 2014, which had a material impact on its shareholding structure.

- **Capital increases on the MAB:**

On January 9, 2015 an all-cash capital increase of up to One Million Four Hundred Eighty-eight Thousand Three Hundred and Seventy-Five Euros (€ 1,488,375) was agreed by the Board of Directors, through the issuance of Nine Hundred Ninety Two Thousand Two Hundred and Fifty (992,250) new shares, of Four Cents (€ 0.04) of nominal value each, and a premium per share of One Euro and Forty Six Cents (€ 1.46).

On December 9, 2015 at the Extraordinary Shareholders Meeting it was agreed a capital increase through the capitalization of a shareholders loans for an amount of Six Hundred Five Thousand Eight Hundred and Eighty-two Euros with Forty Cents (€ 605,882.40) through the issuance of Two Million Nineteen Thousands Six Hundred and Eight shares (2,019,608) of a nominal value of Eighty Thousand Seven Hundred and Eighty Four Euros with Thirty-Two Cents (€ 80,784.32) and with a share premium of Five Hundred Twenty-Five Thousand Nine and Eight Euros with Eight Euro Cents (€ 525,098.08).

On June 29, 2016 a capital increase was agreed at an Extraordinary General Shareholders Meeting through the capitalization of a credit line by the amount of Six Hundred Thousand Four Hundred Sixty-Three Euros (€ 600,463). In parallel, the Company increased its share capital by the amount of Fifty Three Thousand Three Hundred and Seventeen Euros (€ 53,317.04) through the issuance of 1,332,926 new common shares of Four Cents each (€ 0.04) of nominal value, and a share premium of Five Hundred Forty and Seven Thousand One Hundred and Forty Five Euros and Ninety Six Cents (€ 547,145.96), divided into 330,000 new shares with an emission bonus of Twenty-Six Cents (€ 0.26) and 1,002,926 new shares with a share premium of Forty Six cents (€ 0.46).

FACEPHI's current shareholding structure is as follows:

Name	Number of participations	Distribution	Euros	Percentage
Jorge Company Barber	2,820	1 - 2,820	2,820.00 €	0.94%
Javier Barrachina Giménez	15	2,821 - 2,835	15.00 €	0.005%
José Carlos Martinez Burgui	15	2,836 - 2,850	15.00 €	0.005%
Juan Miguel Sánchez Torrecillas	15	2,851 - 2,865	15.00 €	0.005%
Alejandro González Galiana	15	2,866 - 2,880	15.00 €	0.005%
Jorge Sanz Estrada	30	2,881 - 2,910	30.00 €	0.01%
Vicente Terol San Roman	90	2,911 - 3,000	90.00 €	0.03%

Currently, there are no other identified investors holding more than a 5% of the shares of the Company.

1.3.3. Most significant milestones in FACEPHI's history:

Since the Company was founded in 2012, FACEPHI has positioned itself as an innovative company specialized in the development and of software for facial recognition, using its own algorithms. Its mission is to develop facial recognition with ongoing improvements in technology. The Company's most significant milestones can be summarized as follows:

1. **2006: Idea Generation**

Mr. Salvador Martí, the Company's current chairman and the owner of a computer store became interested in facial recognition programs, which led him to create his own algorithm and to begin hiring engineers to develop his idea, under a Company named: "F7 Corporation".

2. **2007: Search for Seed Capital:**

Mr. Salvador Martí found the support to carry out the idea in other partners of his family circle, who subsequently sold their shares to other investors.

3. **2009-2012: Product Development and Improvement:**

Thanks to the first financing round coming from business angels, the Company was able to expand its workforce by hiring some 13 engineers. All efforts at that time were focused on Research and Development to improve the facial recognition algorithm.

4. **2012: The end of C7´s business activities:**

In 2012, C7 Corporation was stopped to prepare the new Product Launch and in September 2012, FACEPHI was created by its 7 founding partners:

- Jorge Company Barber
- Mr. Javier Barrachina Giménez,
- Mr. José Carlos Martínez Burgui,
- Mr. Juan Miguel Sánchez Torrecillas
- Mr. Alejandro González Galiana,
- Mr. Jorge Sanz Estrada
- Mr. Vicente Terol San Román

These partners created an innovative company, which soon expanded its technical and commercial team. Afterwards, there was an improvement of the product; internal (reliability, speed, etc.) and external (improved interface and user experience).

5. **July-November 2014: Business contracts signed in Latin and Central America**

Strategic agreement with GBM Corporation to market FACEPHI's technology in Central America and the Caribbean.

Strategic agreement with to set up, develop and market FACEPHI's technology in Mexico, Perú, Colombia, Chile, Brasil and the US.

Contract with Coopeservidores to use FACEPHI's facial recognition technology on its mobile banking platform in Costa Rica

Contract with GRUPO MUTUAL to use FACEPHI's facial recognition technology. In Costa Rica

Letter of Interest with Asociación de Bancos del Perú, ASBANC (en adelante, ASBANC) to use FACEPHI's facial recognition technology in all its platforms.

6. **December 2014: Incorporation of FACEPHI shares on Spain's MAB (Mercado Alternativo Bursatil)**

FACEPHI shares are incorporated on the MAB with a RIC name "FACE" with a reference price of € 1.23.

7. **November 2016: H2020 grant by the European Commission:**

FACEPHI and the CE sign a contract to develop and implement the project FACCESS as part of the CE's Horizon 2020 programme. The total grant amounted to € 1692,000 and lasted 24 months.

8. **July 2017: Lycese sale contract with Commercial Bank of China (ICBC) in Argentina**

ICBC would use FACEPHI's facial recognition technology, Selphi, to authicate clients in its mobile channel through its own APP.

9. October 2018: Contract with Banco Visión in Paraguay

Contract signed to implement Selphi and SelphID technology in its web and mobile Banking channels.

10. September 18: Investment agreement with Nice & Green, S.A.

The agreement contemplated the future capital injection of € 4,000,000, with Nice & Green having the option to become a shareholder of FACEPHI. The investment will be structured though a loan convertible into shares for € 500,000 and the issuance of warrants convertible into shares for an amount of € 3,500,000. The deadline for such commitment is September 2020. The interest paid on the loan is 3% and will converted into shares through a capital increase in which the new shares will be priced at the lowest of 92% of the average share price of the last 6 trading sessions before the signing of the investment contract. As for the warrants, the exercise price will be in the same terms as the loan. As a guarantee for the agreement, Mr. Javier Mira and Mr. Juan Alfonso Ortiz, both directors in FACEPHI's Board, have committed to lend 141,470 and 150,586 of their own shares respectively to Nice & Green. This capital injection shall be used for the firm's international expansion in areas such as Latin America, USA and Asia, among others.

11. February 2019: Agreement with Caixabank

As part of the agreement signed with FACEPHI and Fujitsu, Caixabank announced the launch of its new ATM withdrawal facility through facial recognition. This made it the first bank in the world to use this technique as opposed to the traditional PIN used by all the banks. At the time of the interim accounts publication, Caixabank had this system installed in 20 terminals in 4 of its Store branches in Barcelona and expects to complete the installation of the rest of the terminals during the second half of 2019. Although the economic impact of this contract has not been yet quantified, it should enhance the Company revenues going forward.

12. May 2019: First international branch in South Korea

FACEPHI announced the opening of its first international affiliate in Pangyo, better known as the "Korean Silicon Valley". This division, called FACEPHI APAC started operating in June and will be run by Dongpyo Hong, an experienced fintech professional, who will act as the CEO of the new division.

13. May-July 2019: Business contracts signed in Latin and Central America

Contract in Uruguay with HSBC, which will use SelPhi and SelphID to authentify and identify its customers, who will be able to access their own account though a selfie.
Contract with Banco General in Panama whereby the bank will acquire the Company's facial recognition technology through SelfieID.
Contract with Banco de Crédito del Perú, which will offer SelphID to their clients in through its mobile and web channels.

14. January 2020: Acquisition of Ecertic Digital Solutions, S.L.

On January 22nd FACEPHI reached an agreement with the Ecertic Digital Solutions to buy 100% of its shares for a total amount of €2 million, which will be made by delivering 1.16 million euros in cash and 164,706 shares of the Company. Ecertic is a qualified certification service provider according to the European EIDAS regulation and it is considered one of the most important companies in the field of identity verification in Spain with a turnover estimate of 700,000 euros for the year 2019. FACEPHI believes that this operation allows for the fulfilment of two strategic objectives: strengthening the digital onboarding service within its trade portfolio and consolidating its leadership within the field of identification and authentication, both nationally and internationally.

1.4. Reasons why it has been decided to request incorporation into Euronext Growth.

After five years listed on the Spanish MAB (Mercado Alternativo Bursátil) FACEPHI management has decided to go one step further by dual listing its existing shares on Euronext Growth Paris.

The main reasons that led FACEPHI to request the incorporation on Euronext Growth can be summarized as follows:

- By joining Euronext, the Company expects to increase its visibility, brand image, and become more transparent to the eyes of institutional investors. It also expects to strengthen its relationships with existing customers and suppliers as well as reaching out new clients and partners.
- It expects to increase substantially the liquidity of the shares, giving more price stability and access to a new and more varied pool of international investors.
- More visibility should imply more access to new sources of funds by being able to issue equity and debt capital in the market to fund future

investment plans.

- By increasing its reach and transparency levels FACEPHI should be able to lower its cost of debt and equity capital.
- Having its shares listed on Euronext should facilitate potential M&A opportunities as the company would have more optionality by being able to use its own shares as a currency for potential transactions.
- Higher liquidity in the shares should allow existing and new shareholders to realize some of the value unlocked by the company.

1.5. General description of the issuer's business, referencing the activities it carries out, the characteristics of its products or services and its position in the markets in which it operates.

FACEPHI is a worldwide reference in solutions for customer identity validation, such as onboarding and biometric authentication for access to banking channels such as web banking, mobile banking, ATM, branches, etc.

Preventing identity fraud, phishing, Man in the Middle etc. Located in Alicante, Spain, its products combine the delivery of maximum security and the best user-experience there is.

1.5.1. Introduction

FACEPHI'Ss technology was first put in place in 2007, but it was not until 2012 that the Company was founded. FACEPHI is specialized in the development and commercialization of facial recognition biometrics software, using its own algorithms, which makes it the original proprietary of Face Recognition software.

Nowadays, FACEPHI is one of the few Spanish companies that produces facial recognition technology, as similar companies that produce this kind of technology mostly work with fingerprints systems.

Beyond Spain FACEPHI, is widely recognized all over the world, largely due to the internationalization and expansion programme developed during the last six years in which management was able to sign several collaboration contracts primarily in Latin America

Face recognition technology is a computerized system capable of synthesizing the unique features of each user and thus distinguishing from others. It operates through a template in which the distance between the user's eyes is registered, forming a pattern that is stored in the form of digits - never in the form of an image, which allows the user to be recognized and validated in 38 milliseconds.

This process has been made possible through the development of a proprietary algorithm.

FACEPHI also has “demo” apps in the market as well as several “sets” that can be made available to its customers so that they can develop themselves the product (called SDK) or just use the technology.

1.5.2. Lines of Activity and Infrastructure

FACEPHI´s business is based on developing facial recognition products and their application in computer science. Facial recognition enables to recognize the user´s identity. The identification process is divided in three main phases: **Detection**, **Extraction** and **Recognition**.

The **Detection phase** covers the localization of the faces that exist in a picture or in a video. Nowadays, photo authentication can be done. So, in order to prevent someone from accessing the user's account with the photograph of another individual, there are security filters such as the vivacity detector, which can detect if authentication is being attempted with a paper photograph. This filter asks the user for collaboration to ensure possible fraud.

The second phase refers to the **Extraction** of the unique features in the face detected in the previous phase, generating what is known as a facial template, with the help of an extractor. This extractor is in charge of detecting faces in an image or video and extracting the unique features of each user. This database does not compare or identify; it just creates the necessary structure to identify the user. The structure of each user can be formed by several templates; and, at the same time, each template represents the user in each of the environments in which they register or authenticate.

This template is a structure composed of facial patterns extracted from a set of samples or images of the individual´s face, which have been previously stored in a database or hardware. The software studies the distances between the iris of the eyes, the distance between the nose, mouth to generate a numerical code (named facial pattern, which weighs a maximum of 6kb) representative of the face. Reverse engineering does not take part in the process, that is, from the pattern the user face can never be recomposed. In this face, the extractor is responsible for sending this information to the matcher module or comparison module.

Finally, the third phase known as **Recognition**, compares the template extracted with the modules mentioned before that should have been previously stored in the database, file or any other kind of data warehouse. In this warehouse, the identity of the people associated with each referenced template is also stored. The matcher module is responsible for comparing the information of the extractor with the template that has been carried out in the registry.

The matcher in in charge of comparing the mentioned structure with the one corresponding to the other users. It will rule on whether it is the same user or not.

This comparison is done by analyzing features or structural facets present in each face. Once these features are obtained, they are compared with those previously stored, allowing the verification of the identity of the person. This is what will give the final answer of positive or negative recognition.

FACEFPHI´s main product is an SDK developed in .Net, Silverlight, Android, Java y C++, and basically consist of two independent databases: the **Extractor** (the device that contains the camera) and the **Matcher** (and an additional database of cameras if it is operated with .Net technology).

This technology measures the facial features of a person, creates a numerical code that represents the face of the person registered in the database, and uses this code to carry out the comparison when the user stands in front of the camera during identification.

The business model is based on the licensing of FACEPHI´s product for application integrators and developers who, through the use of the FACEPHI SDK, can provide solutions or applications to the final user.

FACEPHI offers two main products:

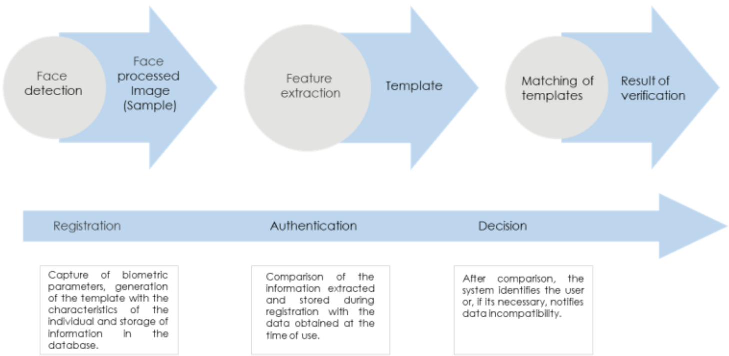
1. **Projects**: The Company provides technical support services to developers and integrators that offer their own technology (including FACEPHI´s software) to end users.

2. **Licenses**: Sale of FACEPHI's SDK with several licenses (with a maximum of 5) to be integrated into any application.

Before 5.0 SDK's version, the language used to develop the FACEPHI product was only ".Net and Silverlight". After version 5.0, the FACEPHI databases are translated into C ++, a native language that allows working with any other language.

Translating databases into C ++ allows the use of other programming languages: C ++ itself, Java, Android, .Net, Silverlight and iOS. This brings it closer to any device, such as computers, mobiles with Android operating system, devices with Linux operating system, mobiles with iOS operating system, tablets, etc., which makes it possible to work with most available markets and media.

The SDK is a set of packages needed to implement and integrate FACEPHI´s technology, providing examples, user controls that facilitate integration, technical and specific documentation for the SDK. It is a development tool that forms the facial recognition software engine for system integrators and developers. The functionality of the biometric registration process, its identification and verification work with static images, although this feature



Source: FacePhi

makes the software perfectly adaptable to dynamic sources such as videos, files (AVI, MPEG ...), etc. The SDK software performs the complete recognition process (face detection, facial pattern extraction and comparison with database templates) in approximately 38 milliseconds. It is also able to compare up to 80,321 patterns per second.

Other functions such as detection and localization of the user´s face complete the tool. The set of utilities that conform the solution, as well as the documentation provided, offers a complete and effective tool to all those interested in incorporating this kind of biometrics into their solutions.

The way it operates is simple. It is necessary to start with a registration since, in order to use the facial recognition, it is necessary to have previously registered the facial characteristics and thus have the information with which to compare, and then decide. The registry process is simple and user-friendly, since it only takes 1 or 2 seconds, and during this period the user can speak or gesture without interrupting the process. This collected information will be stored in the database.

Subsequently, the software will perform the authentication /verification (1:1), that is the authentication mode, also known as 1:1 recognition, which consists on the verification of the individual's identity. Authentication takes place when the user "says" to the technology who he/she is through a personal identifier, such as an ID, password, proximity card, username, etc. The technology will turn on the camera an compare the information that the user supplies at that precise moment (identifier) with what is already in the database.

Another method of identification is known as 1: N and consists on finding out the identity of a person. In this case, the person does not give any information to the technology. The user will only stand in front of the camera and the technology will scan the entire database to identify him/her. (The user must have been previously registered in the system).

Once the previous phases have been completed, the software re-trains itself. The "retraining" of the software allows to improve facial recognition when aspects such as the aging, variability of facial expression, or change in image illumination intervene. As it is commonly known, a user structure differentiates an individual form the others, but only under the subset of conditions present during registration (light, facial expression, etc.). In the cases where these conditions vary between comparisons, the recognition will be slightly diminished. For these cases, retraining allows the user structure to be fed-back with new patterns representative of new conditions.

FACEPHI also offers the RE software, which is a reduced pack of the SDK that only provides the database to use the Face Recognition Software and its licensing.

Depending on the client, either developer or final customer, one of the two packages mentioned above will be provided.

Since its creation, the FACEPHI technical team has invested significant efforts in R&D activities to upgrade the algorithm, achieving a significant improvement in performance.

When studying the different types of biometrics, FACEPHI opted for facial recognition biometrics because it presented more strengths than weaknesses compared to other types of existing biometrics. The most important advantages are listed below:

- It is a non-intrusive identification method, since no collaboration is required by the user.
- The system needs few hardware requirements, so the end-user can make use of it massively. With a simple Webcam every user can access from home.
- Recognition occurs quickly and efficiently. The system is able to make up to 10 recognitions per second. If the system fails on the first attempt, the user does not notice it.
- The software is immune to facial changes that may occur in the individual. Therefore, facial features such as scars, beard, makeup, eyeglasses or changes in the face do not affect the FACEPHI algorithm.

1.5.3. Business Model

1.5.3.1. Description of the Sources of Income:

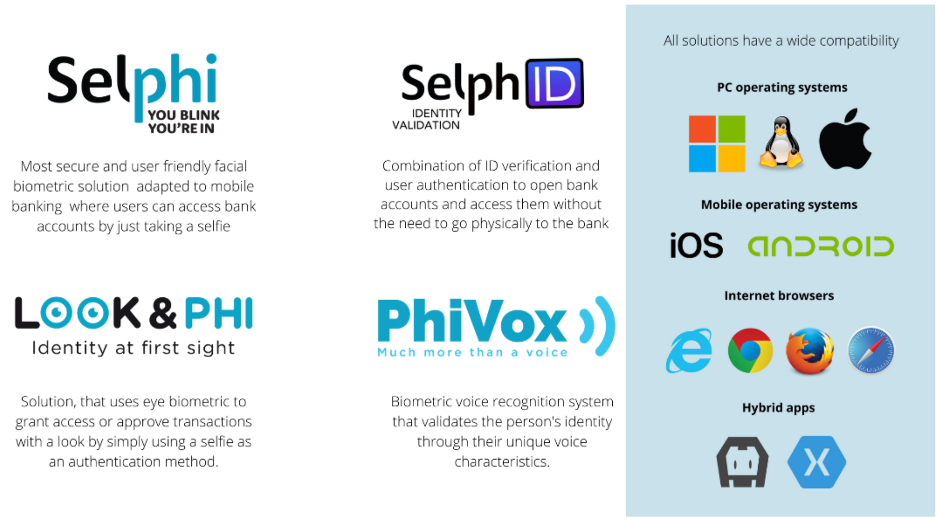
FACEPHI´s business model is based on the sale of licenses of its software product to integrators and developers of applications, combined with the ongoing support (renewable or permanent), advisory services, specific development projects or updating services. Currently, sales of renewable licenses represent 60% of the Company´s revenue. Therefore, future revenue generation should come from the renewal of these type of licenses, the acquisition of new clients, the sale of new licenses and cross-selling of additional products to existing clients as well as from the development of new products.

As for permanent licenses, although they account for a smaller part of the sales, the margin generated (20 to 25% over sales) is quite attractive.

FACEPHI´s licensing model is flexible, being able to integrate functionalities as it is 100% proprietary and most of the human resources are involved in R + D activities.

The Company has focused its activity in the financial sector, offering its products to banking and insurance institutions worldwide, with the aim of fighting fraud. It is worth mentioning that FACEPHI has had a 0% fraud rate ever since its creation. Additionally, the Company's product can also be used in multiple industries and for different purposes.

The Issuer offers 6 different products:



Source: FacePhi

- **Facial (Selphi®):** Multiplatform solution (web, mobile, wallets etc.) that allows access to a bank through a selfie.
- **Ocular (Look&Phi®):** Multiplatform solution (web, mobile, wallets etc.) that allows access to a bank through a look.
- **Voice (Phivox®):** Multiplatform solution (web, mobile, call center etc.) that allows the user to authenticate in a bank through his/her voice.
- **Onboarding (SelphID®):** Digital onboarding solution for mobile and web with the best OCR in the market in real time, document validation and facial life test, without the need to be physically in the bank. In addition, it offers the possibility of going against other databases or capturing standardized documents (electricity bill, forms etc.)

Listed on the Spanish stock market MAB (Alternative Stock Market) since 2014, the Issuer has become a worldwide reference, thanks to its great application for multiple uses and unique product features in the market.

Some of the main characteristics are:

- **First company** in the world to provide banks with facial biometrics in Mobile Banking (Guayaquil Bank), web (Coopeservidores) and ATM (La Caixa), being the pioneer in the industry.

- **100%** proprietary technology.

- **Fourteen years of experience** in the sector of facial biometrics applied in banking.

- Fully **focused on the Banking, Retail, Health, Telecoms and Insurance sector,** as the Company has specialized in serving the needs of these sectors.

- **World leaders in the banking sector:** The only manufacturer of facial biometrics with more than 30 banks in production with the final user, in mobile banking, web banking, ATM, branches, on-boarding process and wallets etc.

FACEPHI´s technology has been validated globally, in different countries and continents, obtaining the following annual facial and user authentication figures per year:

- 2015: 8.7 million authentications.
- 2016: 60 million authentications.
- 2017: 180 million authentications and more than 2 million users.
- 2018: 500 million authentications and more than 6 million users

1.5.4. Detailed description of the characteristics of its products

FACEPHI offers a unique range of products:

SELPHI

Description:

FACEPHI SDK is a product specially focused on all those companies and integrators who want to incorporate Facial Recognition features in their solutions. It is a development framework that allows the integration of this type of biometrics in a wide range of environments offering a system capable of operating in real time.

The product incorporates the necessary components to perform the following activities:

- **Detection and Extraction of facial features**
  The face detection process evaluates whether the size and position of the face is appropriate in the analyzed image. In addition, it is possible to activate photo detection and detection of multiple faces in the scene.

  The extraction of facial features involves the processing of a series of images that can come from various sources, such as a webcam, disk images or video streams, and generates, as a result, a representative facial template of the user. In this way, the user can be recognized later using simply his face (Identification) or, also providing some type of information such as a pin, email ....

- **Registration of facial features**
  It allows to generate a facial structure from the facial templates in order to store them in the database for future comparisons. The FACEPHI SDK product is independent of the database system used.

- **Comparison of facial features**
  1:1 authentication consists on finding out whether a user is who he claims to be, and the 1: N identification recognizes a user automatically by his/her face.

- **Retraining of facial structures**
  It can add new facial templates to a registered user in order to improve the reliability of the technology.

FACEPHI's SDK components:

- C ++ libraries to integrate technology into native Windows applications.
- .Net libraries to integrate technology into Windows desktop applications

(WinForms, WPF) or Web applications using WebAsembly.

- Linux libraries to integrate into Red Hat Enterprise Linux 5 64-bit (or higher) environments.
- Libraries to integrate facial recognition into Java applications.
- Libraries to integrate facial recognition into Android mobile applications.
- Libraries to integrate facial recognition into iOS mobile applications.
- User controls that makes it possible to abstract the programmer from the management of cameras and extraction of facial features, allowing the integration in record time of the technology (WebAsembly, Android, iOS, Xamarin, Cordova, HTML5, C ++). Additionally, FACEPHI provides the generation and reading of QR codes with facial biometrics.
- Technology license activation application.
- Examples of programming in several languages.
- Full documentation of the entire product.

Product Technical features:

It is a highly tolerant system:

• It has +/- 15° in each direction.
• Partial occlusion of the face.
• Immune to changes in beard and hairstyle.
• Use of glasses (except sunglasses).
• Moderate changes of light.

Minimum quality and image requirements for Facial Recognition:

• The face must be completely visible in the image.
• Minimum distance between iris of 40 pixels (recommended 70 pixels).
• Recommended resolution of 640x480.

Extractor Module:

• Locate faces in images, as well as the position of the eyes.
• Determine the quality of the biometric sample to check if it is suitable for identification / verification.
• It allows selecting different ranges of proximity of a face to the capture device to delimit the distance allowed to carry out the identification / verification of an individual.
• Determines the relevant characteristics in an image of a face and generates a pattern that contains the representative information of it.

Matcher Module:

• It allows comparison between two given facial patterns (Verification 1: 1).

• Allows comparison between a pattern and a set of facial patterns given (Identification 1: N).

Capture images from:

• Archive.
• Capture devices compatible with DirectShow.
• Capture devices integrated in the mobile device (Android and iOS)
• Android and iOS gallery.
• Other capture devices (through third-party libraries).

Supported Image Formats:

• JPG, BMP, PNG, TIFF (.NET / C ++ / JAVA Extractor).
• JPG, PNG (Silverlight Extractor).
• JPG, BMP, PNG, TIFF (Android Extractor).
• JPG, BMP, PNG, TIFF (iOS Extractor).

SELPHID

Description:

SELPHID is the solution for reading and validating FACEPHI's identity documents. Available in Onpremise (SDK) and in SaaS, with SELPHID the client can verify the identity of the user with the identification documents (ID cards, passports, driver's licenses, etc.), as well as the coincidence of the photograph of the document with that of the bearer of the same while performing the identification process and taking a selfie.

Functionalities

1. **Extraction of Visible Information:**
    - Reading and extraction of all document fields (OCR)
    - Extraction of the photograph, signature and print (if it exists).
    - Cutting-out the document.
    - Extraction of encoded information
    - In Machine Readable Zone (MRZ), PDF 416 and 417 barcodes (if any) and similar (QR)

- Extraction of public data.
- Validation of the control codes and matching of the extracted data with the printed data.
- Possibility of checking with third-party databases if they exist, through a custom-made orchestrator.

2. Facial Recognition Testing

Biometric comparison 1:1 of the user's photograph from the identity document with a selfie photo at the time of the process, applying a validation of proof of life.

Additionally, in case the customer has purchased a Selphi product, SelphID will also provide the facial pattern to be stored and registered in the database, and then be used by Selphi in the applications login.

Identity documents supported

- Support for all identification documents and passports. Only Latin characters are supported.
- If an identification document is not supported, the client may request its inclusion. The availability period will be estimated at the time of the request and must be less than two weeks per document.

Client tools

- For the integration of SELPHID in the client's mobile and web applications, FACEPHI will provide some Widgets for the Web, Android, iOS, Xamarin and Cordoba platforms.
- Code examples, as well as examples of user experience and recommendations on implementation will be provided alongside the Widgets.

Software Development Kit

- For the integration of SELPHID in the client's servers, FACEPHI will provide an SDK for the Windows and Linux platforms.
- Code examples, as well as examples of user experience and recommendations on implementation will be provided alongside the SDK.

Use typologies

Fully automatic web and mobile solution for the validation of the identity of customers, establishing a connection between digital identity and physical identity.

The validation is carried out in real time, through the digitalization of the identity document and the user's facial recognition.

SelphID can be used in two modes:

- On premise through the SDK that FACEPHI provides for exclusive use by the clients to be installed in their infrastructure.
- Through SaaS service in Cloud, to be provided by FACEPHI.

LOOK&PHI

LOOK&PHI
Identity at first sight

FACEPHI SDK is a product specially focused on all those companies and integrators that wish to incorporate Periocular Recognition features in their solutions. It is a development framework that allows the integration of this type of biometrics in a wide range of environments offering a system capable of operating in real time.

The product incorporates the necessary components to perform the following actions:

Detection and extraction of periocular characteristics

The face detection process evaluates whether the size and position of the face is appropriate in the analyzed image. In addition, it is possible to activate photo detection and detection of multiple faces in the scene.

The extraction of periocular characteristics consists on the processing of a series of images that can come from various sources, such as a webcam, disk images or video streams, and generates, as a result, a representative user-generated periocular template. In this way, the user can be later recognized by simply using his face (Identification) or, also by providing some type of information such as a pin, email, etc. (Authentication).

Registry of periocular characteristics

It allows to generate a periocular structure from the periocular templates in order to store them in the database for future comparisons. FACEPHI's SDK product is independent of the database system used.

Source: FacePhi

Comparison of periocular characteristics

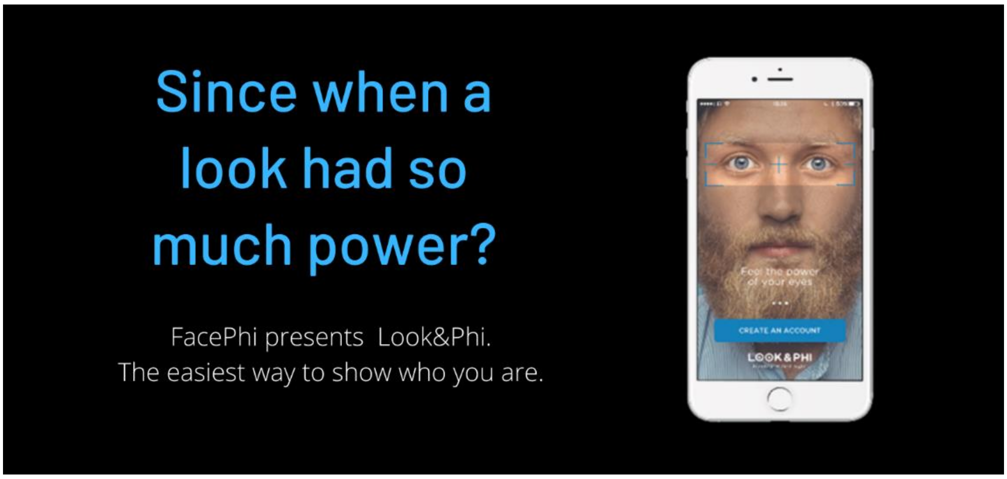
1:1 authentication is to find out if a user is who he claims to be, and the 1: N identification recognizes a user simply by his/her periocular face.

Retraining of periocular structures

It can add new periocular templates to a registered user in order to improve the reliability of the technology.

FACEPHI SDK components

- C ++ libraries to integrate technology into native Windows applications.
- .Net libraries to integrate technology into Windows desktop applications (WinForms, WPF) or Web applications using WebAsembly.
- Linux libraries to integrate into Red Hat Enterprise Linux 5 64-bit (or higher) environments
- Libraries to integrate periocular recognition into Java applications.
- Libraries to integrate periocular recognition into Android mobile applications.
- Libraries to integrate periocular recognition into iOS mobile applications.
- User controls that make it possible to abstract the programmer from camera management and extraction of periocular characteristics, allowing the integration in record time of the technology (WF, WPF, Silverlight, Android, iOS, Xamarin, Cordova, HTML5, C ++). Additionally, the system provides the generation and reading of QR codes with periocular biometrics.
- Technology license activation application.
- Examples of programming in several languages.
- Full documentation of the entire product.



Source: FacePhi

PHIVOX

PhiVox
Much more than a voice

Description:

Voice biometrics is the process of verifying a person's identity based on the unique characteristics of his/her voice, which distinguish them from any other person.

How it Works

During the so-called training or enrollment, a model of the user's voice will be generated; it will help to identify and distinguish each person from any other.

During identification, PhiVox will compare the voice sample with the model of the user's voice and find out if it is indeed this person. The process only takes a few seconds to give a positive or negative result.

Why voice biometrics

- Talking is the most natural way to communicate.
- It is logical, therefore, that our voice is also the most natural way to verify our identity, either by means of a password or even in a completely transparent way, while having a conversation.
- Unlike magnetic cards, passwords or PINs, our voice is always with us.
- It cannot be lost or stolen.
- Voice biometrics does not require any special equipment and can be done at any time anywhere: only something as everyday as a telephone is necessary.

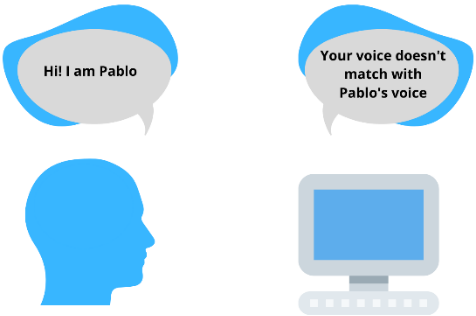
Main Features

It is a highly tolerant system

To use 100% proprietary technology allows to develop customized solutions for each client, based on a highly versatile and adaptable biometrics engine.

1: N Verification

The voice sample is compared with all users of the system which identifies to whom that voice sample belongs. The response time with up to 10,000 users is less than 0.4 seconds.



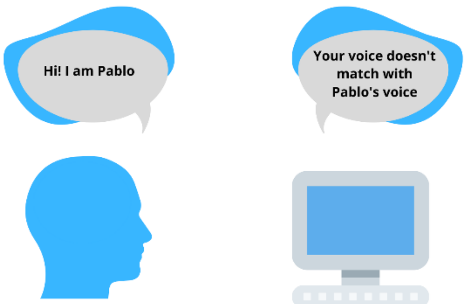
Registry: The user registers from one or several previously recorded conversations.

Testing: Identity checking is done while the user has a natural conversation, without pre-set phrases.

Qualities: It allows to identify non-intrusively, while other procedures are being carried out, including non-collaborative users (blacklists).

1:1 Identification

The voice sample is compared with the vocal fingerprint of the supposed speaker, checking if it is the same person or not. The response time is less than 0.2 seconds.



Registry: The user registers by repeating a phrase or code.

Testing: Identity checking is done by pronouncing the same sentence only once

Qualities: It provides maximum accuracy with only a few seconds of speech.

1.6.5. Infrastructure and technical facilities

Being a software company, FACEPHI does not require a material physical infrastructure to carry out its activities, other than the company's headquarters where the Company has its technical facilities and, more recently its Korean premises. In fact, looking at its balance sheet one can see that the firm's fixed assets are mostly represented by intangible assets such as activated R&D expenditures.

1.6.6. Relevant Markets

FACEPHI´s headquarters are in Alicante, but it also has international presence in several countries through collaboration agreements and partners. Some of these countries are: Argentina, Bolivia, Brazil, Canada, Chile, Colombia, Korea, Costa Rica, Croatia, Ecuador, El Salvador, Spain, France, Guatemala, Honduras, Hong Kong, Indonesia, Israel, Japon, Mexico, Nigeria, Panama, Paraguay, Peru, Polonia, Portugal, Puerto Rico, Dominican Republic, Singapoare, Sweden, Switzerland, UK, Uruguay, USA and Venezuela.

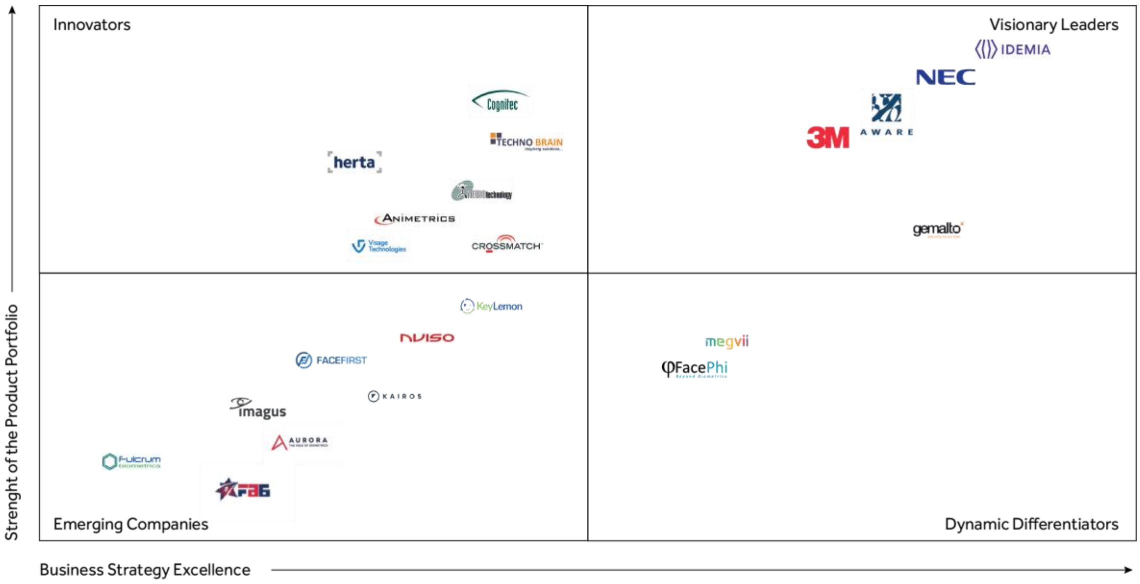
Within FACEPHI's strategy, Latin America is a key market due to the high potential for client growth and the high rates of fraud prevailing in some of the Latam countries.

Recently, the Company, as part of its international strategy, has expanded into the South Korean market opening an office in Seul, more specifically in Pangyo, better known as the Korean Silicon Valley. By opening this office FACEPHI aims to introduce and consolidate its products and lines of business into Asia and the Pacific markets by singing new collaboration agreements. FACEPHI's APAC division started operations in June 2019.

1.6.7. Competitors:

Given its strong technological potential, in the last few years facial recognition has become an area of intense investigation by technology companies. However, there is only a few companies which have been able to develop the proper algorithms for the various segments of the market. This is arguably the main reason why the Company does not have direct competitors. Currently, biometric experts consider FACEPHI a reference player in the industry and one with a great strategic vision, only behind the biggest players in the industry with an ample product portfolio.

As can be seen in the following image, despite FACEPHI's more concentrated product offering, its differentiation strategy is one of its key competitive advantages versus other industry players.



Source: FacePhi

As shown in the previous picture, some of FACEPHI´s competitors are Gemalto, NEC, Idemia or Megavii…

1.6.8. Corporate values and social commitment

FACEFPHI has strong corporate values and is a socially committed firm, allocating more than 1,6% of its R+D+I annual budget to share its innovation initiatives through training programs, talks, free work certifications, etc.

The values that move FACEPHI to be a company committed to quality are:

- **Integrity:** The Company and its executives are committed to their customers, technology partners and workers, to provide high-level quality services and be environmentally friendly.
- **Innovation:** The technology sector in the field of biometrics is constantly evolving. Given the clients' need for communication services and access to the population together with the increase in fraud and identity theft, this sector is likely to expand significantly during the next few years. This is the reason why FACEPHI makes high efforts to innovate in all their products, constantly changing the software, making updates with new versions and adapting to the social situation at each point in time.
- **Professionalism:** All professionals working in FACEPHI, as well as its managers have a wealth of experience not just in the technology sector but also in managing and leading corporate teams.
- **Dedication**: FACEPHI dedicates most of its time to R&D activities in other to improve the algorithm of its software, being able to improve its performance significantly. For this endeavor, the Company has an excellent team, with the most advanced resources and highly qualified management skills.
- **Passion for technology:** FACEFPHI's employees and executives have previous experience in launching start-up companies in the technology sector, and their skills are very much geared towards the new technologies.

1.6. Strategy and Competitive Advantages

1.7.1. Strategy

FACEFPHI´s strategy is based on tree pillars:

1. The first one is the **specialization in the development of software for facial recognition** as the global market face new challenges in identification and authentication, and the biometric solutions are being increasingly accepted by the users. To this end, the Company has designed and

developed its own algorithm. Also, the good user experience of its applications and the services provided by the Company, such as the support and maintenance of the technology, has allowed it to become a landmark company in the sector. FACEPHI is currently focused on 3D biometrics, behavior, improvement of liveness frictionless technology, passive authentication, 1: N identification, identification documents and fraud detection.

2. The second pillar is the **creation of alliances and collaborations with key partners**. Part of the Company´s strategy is to license facial recognition software through industry leaders, ICT integrators, developers and companies, to incorporate this advanced technology into their solutions. This pillar has become very strategic for the company and it should be one of the drivers for its future performance.

3. Finally, with regards to the third pillar, FACEPHI has chosen to **follow a low-cost provider strategy**, trying to position itself as one of the most economically competitive firms. The fact that the technology is 100% owned by FACEPHI, allows it to have a competitive and flexible pricing policy.

   The difference in this price policy lies in its sales model, based on leasing the technology where unlimited licenses are given, with different tariffs in function of the number of users of the Database.

   FACEPHI's objective is to commoditize the use of facial recognition technology, that is, to incorporate it into our daily tasks; from access to the computer to entering an office or car avoiding the use of PINs or RFID cards.

1.7.2. Competitive Advantages:

The main competitive advantages of FACEPHI products are:

1. **Speed:** The recognition process of FACEPHI's applications is considerably faster than the one its competitors have.

2. **Reliability:** The results show that FACEPHI's applications are reliable in terms of face and eye detection, being able to operate in different lighting conditions. Its products have never been subject to fraud.

FACEPHI's ISO Certifications:

- ISO/IEC 24741:2007, ISO/IEC 2382-37:2012, ISO/IEC 29194:2015 and ISO/IEC 19092:2008

- ISO/IEC 27001, ISO 9001, ISO/IEC 20000-1,
- ISO/IEC 19795-1
- ISO 19794-1 e ISO 19794-5
- FIDO Alliance

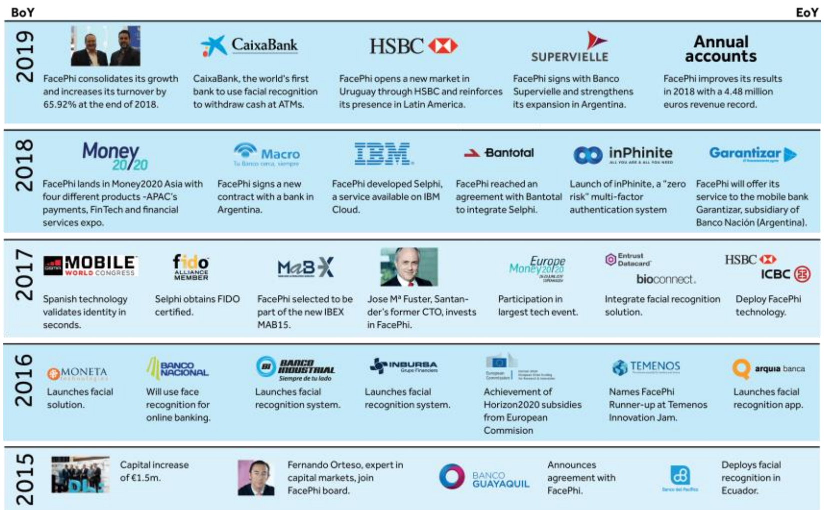
Company Awards:

- HORIZON 2020 EUROPE: (First Place)
- INNOVATION JAM MIAMI TEMEMOS (First Place)
- INNOVATION JAM TEMEMOS (World) (Second Place)

3. **Market presence:** Currently the Company has one of the most competitive products in the market. Since its foundation, FACEPHI has increased its penetration in international markets. Part of its international expansion is being implemented through collaboration contracts and third-party alliances contracts mainly in America.

4. **Price**: Since the technology is owned by the Company, its products are highly competitive in terms of price relative to the other players in the sector.

FacePhi has been in the spotlight of the national and international media since its foundation



Source: FacePhi

1.8. Dependence on trademarks, patents and licenses:

The company owns the original licensee of all its products and does not use third party licenses.

Regarding the mathematical algorithms, the basis for the development of facial recognition software, Spanish Law: "Ley del 11/1986, del 20 de marzo", on Patents establishes that plans, rules and methods for the exercise of intellectual activities for games, for economic-commercial activities or computer programs will not be considered inventions, so it is a non-patentable or registrable procedure in the Spanish Patent and Trademark Office ("Oficina Española de Patentes y Marcas"). It is therefore framed within the "Real Decreto Legislativo 1/1996 del 12 de abril". In essence, its algorithm is considered to be a computer program in constant change, difficult to protect.

1.8.1. Brands

According to the Spanish Patent and Trademark Office (SPTO), as of the date of this document, FACEPHI is the owner of a registered Spanish trademark.

Brand	Company name	Status	Application date
φFacePhi Beyond Biometrics	FacePhi Biometría S.L.	Registered In force	27/05/2013

The trademark is registered and in force since its granting on March 27, 2013.

FACEPHI is the owner of registered brands of **Selphi** and **FacPhi Beyond Biometrics.** This guarantees protection not only all over the EU territory (MUE 015106354 and MUE 015114853 respectively), but also in the USA under the brands granted by the USPTO (US Patent and Trademark Office). At the same time, the Company has obtained the brand certificates of EU, with registry numbers MUE 017896710 **Look&phi**; MUE 017948110 **Inphinite**; MUE 017948116 **Phivox**; MUE 0179498119 **SelPhID**. The entry into force of: "Ley de Secretos Empresariales" 1/2019 del 20 de febrero (Secret Business Law) provides more security against know-how or algorithm violations.

Since June 2019 the Issuer has presented an application for after-designation of the international brand N° 1305244 FACEPHI Beyond Biometric to be validated in South Korea, Philippines, Indonesia and Singapore.

1.9. Diversification Level

1.9.1. Clients

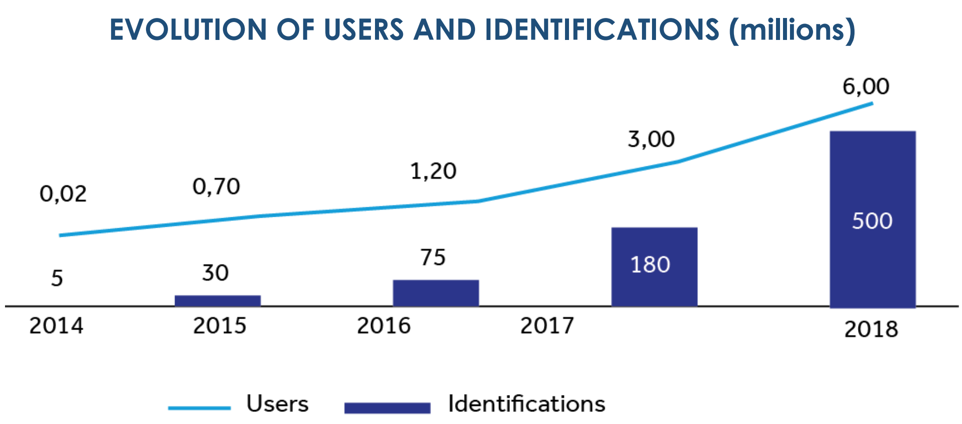
FACEPHI´s technology can offer a wide range of technology solutions, where facial recognition can be useful, such as online authentication, ATM, automation or public securities among others. However, FACEPHI has put its main effort in the financial sector.

The largest commercial function has been carried out in Latin-America, where its technology has been implemented in several financial institutions.

It is important to mention that in the recent years, FACEPHI has strengthened these relationships and created others, not only in Latin-America but also in other parts of the world, such as the recent strategic positioning in South Korea to develop its APAC business.

Besides, the Company has the structure and the credentials to start expanding more actively into other markets such as the Unites States, Asia and the European Union. A wide network of collaborators, partners and the firm's expanding geographical footprint have made this possible.

During the past years, the Company has managed to grow from 5 million to more than 500 million of authentications with more than 6 million users at the end of 2018.



Source: FacePhi

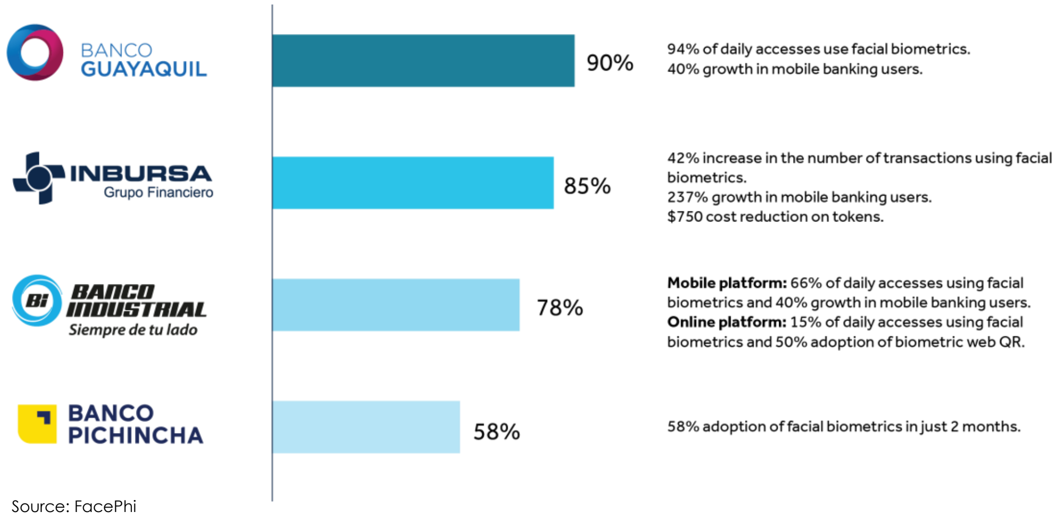
So far, more than 30 contracts have been signed with different banks among which we can highlight:

- <u>Ecuador:</u> Bank Guayaquil, Bank Banco Pichincha, Banco del Pacífico, Banco Bolivariano.
- <u>Argentina:</u> ICBC, HSBC, Banco Macro, Balanz Capital, Garantizar, Supervielle, Banco del Sol, Swiss Medical.
- Bolivia: Banco Bisa, Banco Unión.
- Paraguay: Banco Visión.
- Uruguay: HSBC.
- Costa Rica: Coopeservidores, Davivienda.
- México: Inbursa, Banco Sabadell, Pago Phone.
- Guatemala, Honduras, El Salvador y Panamá: Banco Industrial.
- Panamá: Banisi, Banco General, Banesco.
- Perú: BCP
- Spain: Caixa Bank.

- Company management are currently working on several projects within the banking, retail and insurance sectors.

Source: FacePhi

Finally, it is worth highlighting that clients have experienced a positive user adoption of the technology, which has allowed the Company to increase the customer engagement.



Source: FacePhi

1.9.2. Suppliers

FACEPHI is the owner of its technology. All its databases have been developed by the R+D+I team, which is the reason why there are not suppliers that could affect directly in the creation of their products. The only suppliers that the company has, are not involved in the development or the product creation activity that the company does; these are only supplies for the company's daily activity.

1.10. Brief description of the group of Issuer Companies. Description of the characteristics and activity of the subsidiaries with significant effect on the valuation or Issuer status.

The Company is not part of any group of companies.

In May 2019, FACEPHI announced the opening of its first international affiliate in Pangyo, better known as the "Korean Silicon Valley". This division, called FACEPHI APAC started operating in June and should be the cornerstone for future expansion in the region. It will be run by Dongpyo Hong, an experienced fintech professional, who will act as the CEO of the new division. However, given the early stage of this initiative, we cannot assess the its effect on the Issuers' valuation or business positioning.

1.11. Reference to environmental aspects that may affect the Issuer activity.

Due to the activity to which FACEPHI is engaged, described in point 1.3, The Company is not subject to any special environmental collaboration regime.

1.12. Information on significant trends in production, sales and Issuer costs from the end of the last fiscal year to the date of the document.

Concerning the outlook for 2019, as explained in the Company´s interim audited accounts, FACEPHI has plans to sign new contracts and new orders from customers, while renewing the current contracts that vest at the end of the year.

As for the most significant milestones in the first half of 2019, it is worth mentioning the following:

- On September 18, the Company signed an important investment agreement with Nice & Green, S.A. for FOUR MILLION EUROS (€ 4,000,000) whereby this entity will have the option to become a shareholder of FACEPHI. The investment will be structured though a loan convertible into shares for € 500,000 and the issuance of warrants convertible into shares for an amount of € 3,500,000. The deadline for such commitment is September 2020. The interest paid on the loan is 3% and will converted into shares through a capital increase in which the new shares will be priced at the lowest of 92% of the average share price of the last 6 trading sessions before the signing of the investment contract or the market price. As for the warrants, the exercise price will be in the same terms as the loan. As a guarantee for the agreement, Mr. Javier Mira and Mr. Juan Alfonso Ortiz, both directors in FACEPHI's Board, have committed to lend 141,470 and 150,586 of their own shares respectively to Nice & Green. This capital injection shall be used for the firm's international expansion in areas such as Latin America, USA and Asia, among others.

- On February 14, 2019, as part of the agreement signed with FACEPHI and Fujitsu, Caixabank announced the launch of its new ATM withdrawal facility through facial recognition. This made it the first bank in the world to use this technique as opposed to the traditional PIN used by all the banks. At the time of the interim accounts publication, Caixabank had this system installed in 20 terminals in 4 of its Store branches in Barcelona and expects to complete the installation of the rest of the terminals during the second half of 2019. Although the economic impact of this contract has not been yet quantified, it should enhance the Company revenues going forward.

- On May 29, 2019, FACEPHI announced the opening of its first international affiliate in Pangyo, better known as the "Korean Silicon Valley". This division, called FACEPHI APAC started operating in June and will be run by Dongpyo Hong, an experienced fintech professional, who will act as the CEO of the new division.

- On May 29, 2019, the Company signed its first contract in Uruguay with HSBC, which will use SelPhi and SelphID to authentify and identify its customers, who will be able to access their own account though a selfie.

- On June 7, 2019, FACEPHI signed a contract with Banco General in Panama whereby the bank will acquire the Company's facial recognition technology through SelfieID.

- On July 26, 2019, FACEPHI entered the Peruvian market signing a contract with Banco de Crédito del Perú, which will offer SelphID to their clients in through its mobile and web channels.

As far as the Company's economic highlights are concerned, during the first half of 2019, FACEPHI's business activity kept the strong momentum seen since the company was founded in 2012. However, it is important to notice that the firm's large revenue seasonality, with the bulk of its revenues generated in the fourth quarter of the year, lead to a misalignment between costs and revenues that make the interim results less meaningful as compared to the full-year financial information.

Net revenues amounted to € 1.063.863, a 13% increase relative to the first half 2018. Of these, 19% were generated in Spain with the remaining 81% coming from international markets. 50% of the Company's revenues come from the recurrent sale of licenses. An important part of the firm's future performance shall be dictated by its ability to renew these licences as well as by the onboarding of new clients, the cross-selling of new products to existing customers and by the development of new products.

During this period, the Company continued the development of SDK FACEPHI which led to a capitalisation of intangible assets for the amount of € 299.764.

On the cost front, personnel expenses were 5.6% higher with the average number of employees growing to 27 from 23 in the same period last year.

Other operating expenses amounted to € 810,613, a 24.1% contraction versus the same period last year mainly explain by the fall in Independent Professional Services.

Balance Sheet at: June 30, 2019		
ASSETS	**June 30, 2019**	**June 30, 2018**
NON-CURRENT ASSETS	**2,307,572**	**2,200,411**
Intangible assets	1,354,451	1,249,975
Property, plant and equipment	39,748	41,319
Long-term financial investments	493,005	488,749
Deferred tax assets	420,368	420,368
CURRENT ASSESTS	**4,100,170**	**4,397,162**
Trade debtors and other accounts payable	3,449,167	3,803,919
Trade receivables for sales and services	3,394,501	3,517,661
Sundry debtors	0	0
Personnel & staff	1,500	250
Other receivables from general government	53,166	281,248
Long-term investments in group companies and associates	13,349	0
Short-term financial investments	5,004	200,587
Short-term accruals	183,113	5,080
Cash and cash equivalents	449,538	387,576
Liquid assets	449,538	387,576
TOTAL ASSETS	**6,407,742**	**6,597,573**

NET WORTH AND LIABILITIES	June 30, 2019	June 30, 2018
NET WORTH	**1,820,320**	**2,588,176**
Shareholders' equity / Own funds	1,628,579	2,371,286
Equity	531,083	531,083
Share premium	2,323,993	2,323,993
Reserves	603,572	464,975.26
(Own shares and equity participations)	(281,405)	150,723.43
Results from previous years	(798,042)	(1,965,517)
Results of the financial year	(750,802)	1,167,475
Grants, donations and legacies received	191,741	216,890
NON-CURRENT LIABILITIES	**701,512**	**675,504**
Long-term provisions	5,675	5,675
Long-term debts	631,923	597,533
Debts to credit institutions	631,923	591,693
Other financial liabilities	0	5,839
Deferred tax liabilities	63,914	72,297
CURRENT LIABILITIES	**3,885,911**	**3,333,893**
Short-term liabilities	2,273,342	1,914,257
Debts to credit institutions	2,260,469	1,893,335
Other financial liabilities	12,874	20,921
Trade and other payables	1,388,473	1,047,400
Suppliers	1,235	251
Sundry accounts payable	1,163,095	76,227
Personnel & staff (Pending payments)	74,861	21,244
Other payables to public authorities	149,281	249,678
Short-term accruals	224,095	372,236
TOTAL NET WORTH & LIABILITIES	**6,407,742**	**6,597,573**

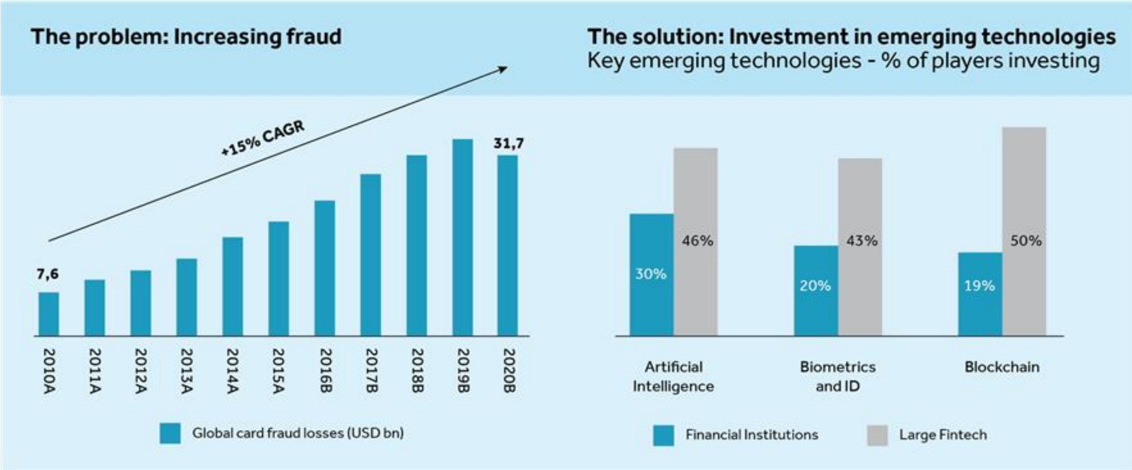
PROFIT & LOSS ACCOUNT	06/30/2019	06/30/2018
NET REVENUE	**1,063,863**	**941,290**
Provision of services	1,063,863	941,290
Capitalisation of Intangible Assets	299,764	226,542
Procurements	(145,536)	(16,268)
Work carried out by other companies	(145,536)	(16,268)
Other operating income	4,325	379,686
Ancillary and other current operating income	4,325	4,563
Operating subsidies included in profit for the year	0	375,123
Staff and Personnel expenses	(889,382)	(842,166)
Wages, salaries and similars	(799,183)	(764,460)
Social Security contributions	(90,199)	(77,665)
Provisions	0	(41)
Other operating costs	(810,613)	(1,068,914)
External Services	(810,613)	(1,068,914)
Amortization of fixed assets	(224,454)	(181,214)
Imputation of non-financial fixed assets subsidies and others	33,532	33,473
Other incomes	(5,888)	880
OPERATING INCOME	**(674,418)**	**(526,692)**
Financial incomes	251	42
Tradable securities and other financial instruments	251	42
From third parties	251	42
Financial expenses	(37,440)	(27,110)
On debts with companies of the "group" and associates	0	(80)
On debts to third parties	(37,440)	(27,031)
Variation in fair value of financial instruments	0	5
Exchange differences	(17,877)	(4,562)
FINANCIAL RESULT	(55,066)	(31,626)
EARNINGS BEFORE TAXES	**(729,484)**	**(558,317)**
Taxes on benefits	**(21,318)**	**(83,500)**
Post-tax profit for the period of discontinued operations	**(750,802)**	**(641,818)**
Interrupted Operations		
NET PROFIT	**(750,802)**	**(641,818)**

1.13. Expectations of growth and relevance of the market

The Company has reasons to be optimistic about its income in the future. The global biometric market and specifically the facial biometric market are both expected to grow over a 20% per year until 2024, as fraud levels have notably increased during the last decade.

Having gone from 180 in 2017 to more than 500 authentications in 2018, FACEPHI´s products are ahead of a promising market.

As security in technology is a major concern, the market is growing at a very fast pace as we can see in the following images.



Source: FacePhi

Having reached a positive EBITBA from 2016, FACEPHI´s revenue has not stop growing year after year and the figures the Issuer shows are based on a solid growth of its market as well as the popularity and user satisfaction the Company achieves.

1.14. Information of the directors and senior executives of the Company

1.14.1 Corporate Structure and Board of Directors

Having had a corporate structure based on a sole and joint administration in its early days, in April 2014, the Company changed its corporate structure by setting-up a Board of Directors with the following members:

- D. Salvador Martí Varó. Chairman of the Board.
- D. Javier Mira Miró. Deputy Chairman of the Board.
- Juan Alfonso Ortiz Company. Secretary of the Board.

In accordance with the Articles of Association, the Board of Directors of the Company must be formed by a minimum of three members and a maximum of fifteen members elected by the General Shareholders Meeting.

<u>Board of Directors</u>:

- D. Salvador Martí Varó: Chairman
- D. Javier Mira Miró: Deputy Chairman
- Juan Alfonso Ortiz Company: Secretary.
- Fernando Orteso: Director

- David Devesa: Director

Advisory Board:

- Javier Mira: Chairman
- Peter O'Neill
- Jose Mª Fuster
- Bianca Lopes

To mention that the advisory and directors board include relevant personalities in the field of Biometrics.

1.14.2. Career and professional profile of the management team

Salvador Martí Varó, CEO of FACEPHI, Co-Founder and President of the Board of Directors of FACEPHI.

In 2002, he founded his first technology company. In 2007, he founded F7 Corporation, a Start-up of facial recognition dedicated to the analysis of algorithms for the development of facial biometrics, which won the award of "Best Innovative Spanish Company " and was the root of today's FACEPHI.

Beyond his full-time activity as FACEPHI's Chairman and CEO, Mr. Martí is also a regular speaker at security seminars such as ATEFI (Latin American Association of Electronic Funds, Transfer Service Operators and Information), INCOCRÉDITO (Operation Seminar with Credit Cards) and ASBANC, among others.

Javier Mira Miró, member of the Board of Directors of FACEPHI, Executive Vice-Chairman of the Board and Co-Founder of FACEPHI.

Mr. Mira has participated in a Program of Executives (ETP) in Japan and International Management Development Seminars (IMDS) in Sophia University (Tokyo). Before joining the Company, he worked for Panama Jack (Alicante) and Loewe- Louis Vuitton (Madrid) and as Commercial Manager in Fujitsu (Tokyo) as Account Manager.

Juan Alfonso Ortiz, current Secretary of the Board of Directors.

Mr. Ortiz has a Degree in Business Sciences from Universidad of Alicante. He passed the Official State examinations as Trade Corridor in 1997. Nowadays Juan Alfonso exercises as Notary in Almansa city (Albacete).

Fernando Orteso Member of the Board of Directors.

Mr. Orteso joined the Board of Directors in July 2015. He has a Degree in Economics from the Universidad Autónoma of Madrid, an MBA from the Instituto de Empresa and he is an expert in Private Banking from IEB.

He has more than 30 years of financial markets experience, worth highlighting his position as Managing Director of Banesto Bolsa from 2000 to 2013 and as Director of the Madrid Stock Market. He was a pioneer in listing companies in the Spanish Alternative Equity Market (MAB).

David Devesa Member of the Board of Directors

David has a Law Degree from the University of Alicante and has a master's degree in Business Legal Advice from the Instituto de Empresa (Madrid) and in Nonverbal Scientific Communication from the University of Alicante. In addition, he has been a lawyer of the Alicante Bar Association since 2003 and the Chairman of JOVEMPA Marina Baixa from 2007 to 2010.

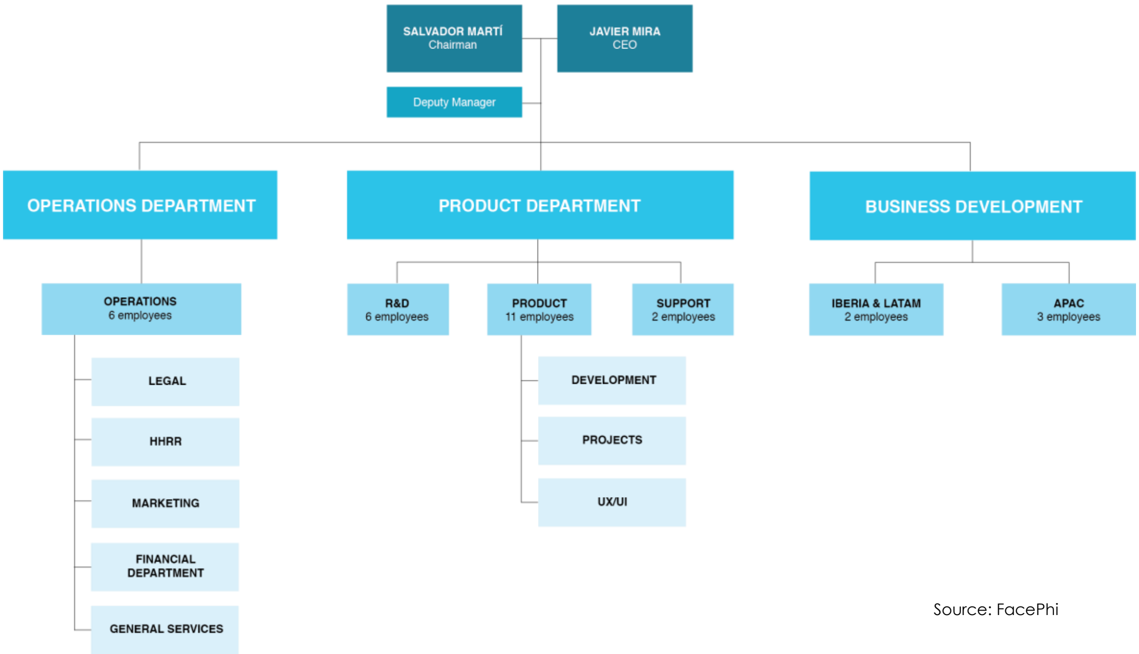
1.15. Information about the Employees:

Source: FacePhi

1.15.1. Number of Employees, Geographical Distribution and Profile.

FACEPHI has evolved from 14 employees in 2014 to the current 30. The team can be considered as being highly experienced. 25 employees are based in the company headquarters in Alicante, 3 are based in Latam, and 2 are in APAC.

1.15.2. Internal Organization:



Source: FacePhi

1.16. Main Shareholders

Currently around the 30% of the capital belongs to its three founders, with the remaining 68% in the form of free-float.

FACEPHI		
Name	Directa Participations	Non-Direct Participations
Salvador Martí Varó	9.38%	0.92%
Javier Mira Miró	8.6%	0.00%
Juan Alfonso Ortiz Company	9.15%	0.98%
Fernando Orteso de Travesedo	1.02%	0.00%
David Devesa	0.0015%	0.00%

1.17. Other operations with related parties

During 2018 and 2019, the company had granted a refundable financial advance to a member of the senior management team and member of the board for a maximum amount of € 340,000 (€ 195.860 as of December 31, 2018). This loan was fully amortized by the sale of the borrower's shares to the Company with the corresponding generation of treasury stock. This transaction was approved by the Board of Directors on April 8, 2019.

1.18. Financial information, adverse opinions and information of dividend distribution.

This section incorporates the financial statements of the periods 2017 and 2018, the complete annual accounts, and the audited annual report corresponding to 2018 in the Financial Information (section 6) of this Document.

1.18.1. Financial Information of 2018 and 2017:

The annual accounts are composed of the Balance sheet, the Profit and Loss Account, the Report and by the Statement of Changes in Net Cash. These have been obtained from the Accounting Records of the Issuer. The legal provisions in force in accounting matters have been applied on the dates so the information reflects a faithful image of the Company.

In this section the financial information collected from the annual accounts is explained.

Balance Sheet at : December 31, 2018		
ASSETS	**2018**	**2017**
NON-CURRENT ASSETS	**2,200,411**	**1,416,311**
Intangible assets	1,249,975	1,118,369
Property, plant and equipment	41,319	35,651
Long-term financial investments	488,749	262,290
Third-party credits	0	253,890
Other financial assets	488,749	8,400
Deferred tax assets	420,368	0
CURRENT ASSESTS	4,397,162	2,991,497
Trade debtors and other accounts payable	3,803,919	2,732,996
Trade receivables for sales and services	3,517,661	2,023,128
Sundry debtors	4,760	4,760
Personnel & staff	250	5,133
Other receivables from general government	281,248	699,975
Short-term financial investments	200,587	5,005
Short-term accruals	5,080	46,160
Cash and cash equivalents	387,576	207,336
TOTAL ASSETS	6,597,573	4,407,807

NET WORTH AND LIABILITIES	**2018**	**2017**
NET WORTH	2,588,176	1,382,362
Shareholders' equity / Own funds	2,371,286	1,209,223
Equity	531,083	531,083
Share premium	2,323,993	2,323,993
Reserves	464,975	454,336
(Own shares and equity participations)	(150,723)	(134,672)
Results from previous years	(1,965,517)	(2,330,419)
Results of the financial year	1167475	364902
Grants, donations and legacies received	216,890	173,139
NON-CURRENT LIABILITIES	**675,504**	**323,415**
Long-term provisions	5,675	5,675
Long-term debts	597,533	260,028
Debts to credit institutions	591,693	225,013
Other financial liabilities	5,839	35,014
Deferred tax liabilities	72,297	57,713
CURRENT LIABILITIES	3,333,893	2,702,030
Short-term liabilities	1,914,257	2,000,610
Debts to credit institutions	1,893,335	1,325,694
Other financial liabilities	20,921	674,916
Trade and other payables	1,047,400	396,141
Suppliers	251	(415)
Sundry accounts payable	776,227	307,995
Personnel & staff (Pending payments)	21,244	0
Other payables to public authorities	249,678	88,561
Short-term accruals	372,236	305,279
TOTAL NET WORTH & LIABILITIES	**6,597,573**	**4,407,807**

1.18.1.1 Evolution of the Assets.

Intangible Assets

Being predominantly a software development company, FACEPHI's intangible assets have the highest weight within the fixed asset structure of the firm. As of December 31, 2018, net intangible assets amounted to € 1,249,975.

Intangible Assets	Balance at 31.12.16	Entries	Exits	Balance at 31.12.17	Entries	Exits	Balance at 31.12.18
Costs:							
Research	56,958			56,958			56,958
Development	1,339,770	360,812		1,700,582	(482,866)		2,183,448
Industrial Property Rights	5,188	890		6,078	5,300		11,378
Software applications	16,573	11,326		27,899			27,899
Total Cost	1,418,489	373,028		1,791,517	488,166		2,279,683
Accumulated depreciation:							
Research	(34,175)	(11,392)		(45,567)	(11,392)		(56,958)
Development	(350,483)	(267,954)		(618,437)	(340,116)		(958,553)
Industrial Property Rights	(76)	(198)		(274)	(401)		(676)
Software applications	(5,648)	(3,222)		(8,870)	(4,651)		(13,521)
Total acumulated depreciation	(390,383)	(282,766)		(673,148)	(356,560)		(1,029,708)
Net book value	1,028,106			(1,118,369)			1,249,979

Research and Development

The company has not capitalized any financial expenses.

The R+D expenses capitalized by the company during the period 2013-2018 correspond to the following projects:

RESEARCH & DEVELOPMENT	
Description: Project 2018	Amount
Improvements Software development Kit (SDK) FACEPHI	482,866 €
Total	482,866 €
Description: Project 2017	Amount
Improvements Software development Kit (SDK) FACEPHI	360,812 €
Total	360,812 €
Description: Project 2016	Amount
Improvements Software development Kit (SDK) FACEPHI	307,736 €
Total	307,736 €
Description: Project 2015	Amount
Improvements Software development Kit (SDK) FACEPHI	311,652 €
Total	311,652 €
Description: Project 2013 and 2014	Amount
Software development Kit (SDK) FACEPHI	777,340 €
Total	777,340 €

Tangible Assets

FACEPHI's tangible assets as of December 31, 2018 amounted to € 41,319 with the following movements during the last three years:

Details and movement in items included in Property, plant and equipment	Balance at 12/31/16	Highs	Lows	Balance at: 12/31/17	Highs	Lows	Balance at: 12/31/18
Costs:							
Technical installations and other fixed assets	44,793	15,23		60,023	15,196		75,219
Total Costs	44,793	15,23		60,023	15,196		75,219
Accumulated depreciation: Technical installations and other fixed assets	(17,307)	(7,065)		(24,372)	(9,528)		(33,900)
Total accumulated depreciation	(17,307)	(7,065)		(24,372)	(9,528)		(33,900)
Net book value	**27,486**			**35,651**			**41,319**

The Company had non-callable operating leases worth € 106,972 which will be fully paid in five years.

Current Assets

	2018	2017
Long-term loans and receivables:		
Third-party credits		253,890
Other financial assets	488,749	8,400
	488,749	262,290

Short-term loans and receivables:	2018	2017
Clients for the provision of services	3,579,106	2,084,573
Impairment due to the provision of services	(61,445)	(61,445)
Advances to Accounts Payable	4,760	4,760
Advances to Accounts Payable	250	5,133
Other receivables from general government	281,248	699,975
Other financial assets	200,587	5,005
	4,004,506	2,738,001
	4,493,255	3,000,291

FACEPHI's current assets are mostly in the form of trade receivables from clients amounting to € 3,579,106. The growth seen in 2018 versus 2017 reflects the firm's rapid revenue growth experienced during the year.

The bulk of the 'Other Long-Term financial assets' caption is mainly represented by Term Deposit for an amount of € 480,349. The remaining € 8,400 corresponds to deposits from leased offices.

The 'Other Short-Term financial assets' worth € 200,587 correspond mainly to a loan granted by the Company to a member of its management team.

The Company's cash balance at the end of 2018 amounted to € 387,576.

€	2018	2017	2016	2015
Cash and cash equivalents	€ 387,576.00	€ 207,336.00	€ 496,162.00	€ 829.00

1.18.1.2 Evolution of the Liabilities

Net Equity

As of December 31, 2018, the equity capital amounted to € 531,083. 32, represented by 13,277,083 shares with a nominal value of € 0,04 each, totally subscribed and disbursed.

The Company had treasury stock by the amount of € 150,723 corresponding to 172,729 shares, representing 1.3% of the firm's share capital. In June 2016, the Board of Directors approved a share buy-back programme of up to 200,000 shares, At the end of December 2018, the Company had bought a total of 172,729 of its own shares.

In 2018, FACEPHI sold part of its treasury stock in the market generating capital gains of € 10,639, which were accounted as Voluntary Reserves in its balance-sheet.

The results of the financial year 2018, amounting to € 1,167,475, were allocated to cover accumulated losses from previous years.

The Grants and Donations item in the balance-sheet correspond to the remaining balance of a € 1,692,600 grant given to the Company by the European Commission in 2016 as part of its H2020 Programme

NET WORTH AND LIABILITIES	2018	2017
NET WORTH	2,588,176	1,382,362
Shareholders' equity / Own funds	2,371,286	1,209,223
Equity	531,083	531,083
Share premium	2,323,993	2,323,993
Reserves	464,975	454,336
(Own shares and equity participations)	(150,723)	(134,672)
Results from previous years	(1,965,517)	(2,330,419)
Results of the financial year	1167475	364902
Grants, donations and legacies received	216,890	173,139
NON-CURRENT LIABILITIES	**675,504**	**323,415**
Long-term provisions	5,675	5,675
Long-term debts	597,533	260,028
Debts to credit institutions	591,693	225,013
Other financial liabilities	5,839	35,014
Deferred tax liabilities	72,297	57,713
CURRENT LIABILITIES	3,333,893	2,702,030
Short-term liabilities	1,914,257	2,000,610
Debts to credit institutions	1,893,335	1,325,694
Other financial liabilities	20,921	674,916
Trade and other payables	1,047,400	396,141
Suppliers	251	(415)
Sundry accounts payable	776,227	307,995
Personnel & staff (Pending payments)	21,244	0
Other payables to public authorities	249,678	88,561
Short-term accruals	372,236	305,279
TOTAL NET WORTH & LIABILITIES	**6,597,573**	**4,407,807**

Non-current liabilities

As of December 31, 2018, FACEPHI's non-current liabilities were mainly represented by loans from credit institutions for an amount of € 591,639, all of which will be maturing before July 2021 The Company's financial debt is referenced to Euribor and its average cost of that debt is 1.82%, which is considered to be in line within market average levels.

	2018	2017
NON-CURRENT LIABILITIES	675,504	323,415
Long-term provisions	5,675	5,675
Long-term debts	597,533	260,028
Debts to credit institutions	591,693	225,013
Other financial liabilities	5,839	35,014
Deferred tax liabilities	72,297	57,713

Current liabilities

Short-term liabilities were mainly in the form of Debts from Credit Institutions, amounting to € 1,893,335. Account Payable to Suppliers amounted to € 776,478 with an average payment period of 31 days.

None of the Company´s lines of credit have real guaranties. A € 846,300 loan from Bankia was guaranteed with pending payments from the H2020 grant.

Accounts payable to suppliers amounted to € 776,227, with an average payment period of 31 days.

	2018	2017
CURRENT LIABILITIES	3,333,893	2,702,030
Short-term liabilities	1,914,257	2,000,610
Debts to credit institutions	1,893,335	1,325,694
Other financial liabilities	20,921	674,916
Trade and other payables	1,047,400	396,141
Suppliers	251	(415)
Sundry accounts payable	776,227	307,995
Personnel & staff (Pending payments)	21,244	0
Other payables to public authorities	249,678	88,561
Short-term accruals	372,236	305,279

1.18.1.3. Evolution of the Profit and Loss Account

The most significant trends of the Profit and Loss Account are exposed below:

CONTINUING OPERATIONS	**2018**	**2017**
NET REVENUE	**4,480,826**	**2,700,669**
Provision of services	4,480,826	2,700,669
Capitalisation of Intangible Assets	482,866	360,812
Costs of Goods Sold	(120,022)	(12,810)
Work carried out by other companies	(120,022)	(12,810)
Other operating income	574,208	829,165
Ancillary and other current operating income	9,443	4,964
Operating subsidies included in profit for the year	564,765	824,201
Staff and Personnel expenses	(1,716,115)	(1,236,636)
Wages, salaries and similars	(1,552,343)	(1,109,179)
Social Security contributions	(163,731)	(127,457)
Provisions	(41)	0
Other operating costs	(2,486,192)	(1,787,016)
External Services	(2,484,388)	(1,738,588)
Taxes	(1,804)	(233)
Losses, impairment and variation of provisions for commercial transactions	0	(48,195)
Depreciation of fixed assets	(366,088)	(289,830)
Imputation of non-financial fixed assets subsidies and others	55,610	1,857
Other incomes	8,622	(112)
OPERATING INCOME	**913,716**	**566,098**
Financial incomes	50	269
Tradable securities and other financial instruments	50	269
From third parties	50	269
Financial expenses	(55,523)	(32,373)
On debts to third parties	(55,523)	(32,373)
Variation in fair value of financial instruments	(234)	(112)
Traiding Portfolio and other financial assets	(234)	(112)
Exchange differences	5,449	60,770
FINANCIAL RESULT	(61,156)	(92,986)
EARNINGS BEFORE TAXES	**852,559**	**473,112**
Corporate Tax	314,916	(108,210)
Post-tax profit for the period of discontinued operations	1,167,475	364,902
NET PROFIT	1,167,475	364,902

1. Net Revenues:

In 2018, FACEPHI's net revenues amounted to € 4,480,826, a 66% compared with 2017. During the 2015-2018 period the Company has shown a material growth in revenues with a 266% CAGR. Within geographies Latin America accounts for the bulk of its turnover.

The sharp rise in sales was generated organically as the result of important contracts signed with leading financial entities in the banking sector. The Company attended the most important banking fairs in the US, Denmark and Singapore in the first quarter of fiscal year 2018.

Latin America continued to be FACEPHI's main market in both 2018 and 2017 with customers such as HSBC, Banco de la Nación Argentina, Bantotal, Banco Macro and Banco Supervielle, among others. In the near term, the company will be opening new markets in the US, Europe and Asia, which will generate additional revenues in coming years.

The signature of alliances with well-known companies worldwide in the cybersecurity sector such as Fujitsu, ENTRUST, Easy Solutions and / or BioConnect technology partners represents a new sales channel, in OEM mode, which will generate revenues from license sales, expanding the client portfolio and the use of FACEPHI's technology and recognition.

Market	% 2018	% 2017
Spain	14.7	0.47
Rest of European Union	--	--
Rest of Countries	85.3	99.53
	100	100

FACEPHI's EBITDA (Operating Income + Depreciation) reached € 1,279,804, a 49.5% growth compared to 2017.

Statement of Cash Flows at December 31, 2018	2018	2017
Operating Cash Flow	852,559	473,112
Income before taxes	(192,882)	(431,001)
Adjustments of the result (net)	366,089	289,830
Tangible assets amortizations		48,195
Accumulated impairment losses.	(602,095)	(803,867)
Subsidy Allocation	(50)	(269)
Financial income	55,443	32,373
Financial expenses	(12,269)	2,737
Exchange differences	(246,962)	(1,208,471)
Changes in current capital		
Stocks		
Accounts receivable and other accounts receivable	(1,006,258)	(1,652,617)
Other current assets	41,080	(48,893)
Creditors and other accounts payable	651,259	187,760
Other current liabilities	66,957	305,279
Other non-current assets and liabilities		
Other cash flows from operating activities	(160,845)	(75,120)
Interest payments	(55,443)	(32,373)
Interest receipts	50	269
Collections of income tax	(105,452)	(43,016)
Other receivables		
Operating Cash Flow	251,869	(1,241,479)
Cash flows from investing activities		
Investment Payments	(983,713)	(389,878)
Group and associated companies		
Intangible Fixed Assets	(488,166)	(373,028)
Property, plant and equipment	(15,196)	(15,230)
Other financial assets	(480,351)	(1,620)
Charges for divestments		7,997
Other financial assets		7,997
Operating Cash Flow	(983,713)	(381,881)
Cash flows from financial activities		
Collections and payments for equity instruments	(5,412)	(11,409)
Acquisition of own equity instruments	(239,357)	(285,462)
Sale of own equity instruments	233,945	296,871
Collections and payments for financial liability instruments	911,681	1,303,851
Issuance		
Debts with credit institutions	1,573,455	1,425,629
Return and amortization of:		
Debts with credit institutions	(639,134)	(93,945)
Others	(22,640)	(27,834)
Payments for dividends and remuneration on other equity instruments		
Cash flows from financing activities	906,269	1,315,259
Effect of changes in exchange rates	5,815	19,274
Net increase/decrease in cash or cash equivalents	180,240	(288,827)
Cash or cash equivalents at beginning of year	207,336	496,162
Cash and cash equivalents at end of year	387,576	207,336

2. Operating Expenses

In 2018, staff costs amounted to € 1,716,115, a 38.8% growth, which mainly reflected the rapid growth experienced by the business. At the end of that year FACEPHI had 23 employees of which 2 of them were members of the Board of Directors

	2018	2017
Personnel Expenses:	(1,716,115)	(1,236,636)
Wages, salaries and similar	(1,552,343)	(1,109,179)
Social Security contributions	(163,731)	(127,457)
Provisions	(41)	0

Other Operating Expenses amounted to €2,486,192, a 39,1% growth versus 2017. 'Independent Professional Services' which included the costs associated with the Company listing on the MAB (Mercado Alternativo Bursátil) was the largest caption,

External Services:	**2018**	**2017**
Leases and royalties	71,685	63,016
Repairs and maintenance	6,3	6,412
Independent professional services	1,467,394	823,681
Insurance premium	18,482	7,375
Banking and similar services	38,007	44,035
Advertising, publicity and public relations	387,888	388,988
Supplies	32,847	31,126
Other services	461,784	373,954
Taxes:		
Other Taxes	1,804	233
Losses, impairment and variation of provisions for commercial transactions		48,195
Other operating services	2,486,192	1,787,016

3. Corporate Tax

During 2018, the Company a tax credit of of € 265,647 as it used part of its tax loss carry forward from previous years.

As of December 31, 2018, FACEPHI's tax-loss carry forwards amounted to € 154,721.

Accrual year	**2018**	**2017**
2015	3,309	3,309
2016	2,944	2,944
2017	43,016	43,016
2018	105,452	
TOTAL	154,721	49,269

1.18.2. Adverse opinions, denials of opinion, qualifications or limitations of scope by the auditors.

There is no adverse opinion, no denial of opinion, or exception or limitation of the audited FACEPHI accounts corresponding to the year ended December 31, 2018.

1.18.3 Preliminary Non-Audited Accounts and results from 2019.

In 2019, FACEPHI's revenues amounted to € 8.2 million, an 82.9% increase versus 2018. This translated into a positive EBITDA of € 3.11 million, which represented a 143,3% growth year on year.

The sharp growth in revenues mainly responded to the increase in the portfolio of clients in Latin America (13 contracts with banks) as well as technological partnerships with financial institutions such as CaixaBank.

As of today (January 23, 2020) the firm's working capital is sufficient to serves its current operating and financial obligations. Cash and liquid assets are above one million and trade and receivables stand above six million euros.

1.18.4. Cash Position Statement established within three months prior to the scheduled date of first admission to trading.

At the time of this writing (January 23, 2020) the firm's working capital is sufficient to serve its current operating and financial obligations. Cash and liquid assets are above € 1 million and trade and receivables stand above € 6 million euros.

Below is the Cash Flow Statement of June 30, 2019.

Statement of Cash Flows at June 30, 2019	30 June, 2019	30 June, 2018
Operating Cash Flow		
Income before taxes	**(729,484)**	**(558,317)**
Adjustments of the result (net)	**(83,643)**	**(410,340)**
Tangible assets amortizations	224,454	181,215
Subsidy Allocation	(33,352)	(374,705)
Financial income	(251)	(42)
Financial expenses	37,440	27,110
Exchange differences	(299,734)	(226,542)
Changes in current capital	**377,415**	**1,713,996**
Accounts receivable and other accounts receivable	348,007	1,843,944
Other current assets	(178,033)	(1,180)
Creditors and other accounts payable	355,583	(49,563)
Other current liabilities	(148,141)	(79,204)
Other cash flows from operating activities	(58,507)	(110,569)
Interest payments	(37,440)	(27,110)
Interest receipts	251	42
Collections of income tax	(21,318)	(83,500)
Operating Cash Flow	(494,219)	(634,770)
Cash flows from investing activities		
Investment Payments	**(185,391)**	**(487,148)**
Group and associated companies	(13,349)	
Intangible Fixed Assets	(24,162)	(1,050)
Property, plant and equipment	(3,463)	(13,390)
Other financial assets	(144,417)	(472,708)
Investing Cash Flows	**(185,391)**	**(487,148)**
Cash flows from financial activities		
Collections and payments for equity instruments	**348,095**	**29,862**
Acquisition of own equity instruments	(144,441)	(86,824)
Sale of own equity instruments	492,536	116,686
Collections and payments for financial liability instruments	**393,476**	**(40,234)**
Issuance		
Debts with credit institutions	1,526	1,109,440
Return and amortization of:		
Debts with credit institutions	(13,887)	(23,340)
Others		
Payments for dividends and remuneration on other equity instruments		
Cash flows from financing activities	**741,572**	**(10,371)**
Effect of changes in exchange rates		
Net increase/decrease in cash or cash equivalents	**61,961**	**137,251**
Cash or cash equivalents at beginning of year	387,576	207,336
Cash and cash equivalents at end of year	449,538	344,587

1.18.5. Description of the dividend policy.

The Company has not carried out any distribution of dividends since its establishment in 2012. In 2018 and 2017 the profit generated transferred to Reserves to cover losses from previous years.

Following the Spanish Accounting law, the firm has to allocate 10% of its annual profit to the Legal Reserve in the balance-sheet. This reserve must reach at least 20% of the firm's Capital before it can pay any dividends to shareholders.

1.18.6. Information on disputes that may have a significant effect on the Company.

The Company does not have any litigation, lawsuit, open process or dispute that may have a significant effect on it.

1.19. Risk Factors.

Before investing in FACEPHI, these risk factors should have been taken into account, as they might affect the progress of the Company, its financial figures, forecasts, or patrimonial situation among others.

The risk factors aforementioned are the most relevant according to the Issuer´s opinion, notwithstanding that there might be others.

All risk factors can have a detrimental effect on the behavior of the Company 'shares.

1. **Risks arising from the loss of key personnel:**

FACEPHI is a modern Company closely linked to its founders and executives. It is important to highlight the risk arising from their cessation. Even though it is not probable, as they continue to be the main shareholders of the Company, it cannot be excluded that it occurs for a cause beyond their control.

Likewise, the death or abandonment of key personnel could adversely affect FACEPHI´s economic forecast, or its financial situation among others.

2. **Risks linked to the shares 'price:**

- *Evolution of the quotation:* Capital Markets are volatile, as a result of the macroeconomic situation, general economic forecasts…
- *Small Capitalization:* FACEPHI is still a small Company, which could mean low liquidity levels, even though Euronext Growth solves this problem.

3. **Social Acceptance:**

A change in the market would mean, given the constant evolution of the sector, a modification in consumption preferences. This could eventually affect negatively the biometric industry against other security methods and thus, problems in FACEPHI´s evolution.

4. **Risk associated to the Economic Environment:**

Due to the decreasing economic environment, FACEPHI´s commercial activities may suffer. These are external risks that the Company cannot control, as if the wealth of the consumers decreases, they might stop using the Issuer´s product, as it is not a good of first necessity. If this happened the Company might not achieve its economic expectations.

In this sense, a great advantage FACEPHI has is its price flexibility, which would adapt the Company to the moment.

5. **Acts of theft or hacking of key information and technology code:**

Although the Company has a safe system, the possibility of an attack exists. If the information leaked and the internal information and the algorithm used went public, other company could replicate its technology.

6. **Algorithm Registration Protocol:**

It is important to mention that mathematical algorithms cannot be patentable and, therefore, the Company cannot get the protection the “Oficina Española de Patentes y Marcas” (Spanish Patents and Brands Office) provides.

Even though the authorship is protected by the “Real Decreto Legislativo 1/1996 de 12 de abril” that leads to the approval of the Intellectual Property Law (“Ley de Propiedad Intelectual”) and that it is constantly changing, there is still a risk of some other company developing similar products.

7. **Risks linked to the excessive technological exposure:**

FACEPHI´s sector is linked to extensive investigation and technological innovation. This means constant product actualization and the threat that products become obsolete. The innovation mentioned before needs investments in staff, materials and marketing that the Issuer should accomplish.

8. Emergence of new companies and technology that can affect directly the performance of the Company:

Technology is constantly evolving, so FACEPHI cannot dismiss the possibility of the creation of new companies able to offer a similar product with better competitive advantages, or the emergence of a more efficient technology.

In the event that the mentioned situation occurred, as the competence would increase, the market share, the production and the clients FACEPHI would have at that time could decrease leading to a fall in the price of the shares.

In spite of that the Issuer is involved in a constant improvement of its technology and products it offers, which gives the Company a considerable advantage compared to any other company that might consider entering the sector.

2. INFORMATION ABOUT THE ISSUER'S SHARES

2.1. Number of shares for which incorporation is requested, their nominal value. Share capital, indication of whether there are other classes or series of shares and whether securities have been issued that give the right to subscribe or acquire shares.

At the date of this Information Document, the share capital of FACEPHI is FIVE HUNDRED THIRTYONE THOUSAND AND EIGHTYTHREE EUROS (€ 531,083.32) represented by 13,277,083 shares of € 0.04 nominal value each. All shares are fully subscribed and have been fully paid-up. They belong to a single class and series and confer identical political and economic rights to their holders. As mentioned in this document, in 2019 the Company issued warrants and a loan, subscribed by Nice & Green, convertible into shares for an amount of € 4,000,000 with a deadline in September 2020. If, as expected, the former are converted into shares, this will give rise to new shares whose amount will be a function of the conversion price.

At the Extraordinary General Meeting of the Company held on June 2, 2014, it was agreed to request the incorporation of all the company shares on the Alternative Stock Market (MAB) in the Growth Companies segment, as well as all those shares which were issued between the date of the agreement and the effective date of incorporation of the shares.

2.2. Distribution of the shares

2.2.1. Approvals related to the incorporation of the shares to Euronext Growth Paris

At the Extraordinary Shareholders Meeting held on December 20th 2019, FACEPHI's shareholders approved the incorporation of the Company shares to Euronext Growth Paris through a dual listing process. It was equally approved to use the Euroclear Settlement of Euronext Securities (ESES) for all the settlement related services of the shares listed on that market.

Under the power granted by the Company's Extraordinary General Meeting, the Board of Directors approved all the relevant steps to be taken for the shares to be dual-listed on the Euronext Growth Market

2.2.2. Number of shares to be listed

The objective of this Information Document is the incorporation of the Company shares on Euronext Growth Paris through a process of direct listing of all its 13,277,083 existing shares, which will be dual-listed on this exchange without the need to carry out an Initial Public Offering (IPO) of the Company shares.

To our understanding there are not identified shareholders who individually hold a stake of less than 5% of the total capital outstanding Therefore, FACEFHI's minority shareholders, representing the capital, which is freely floating in the market, own 9,028,416 shares, or 68% of the total.

As far as the price of incorporation on Euronext Growth Paris is concerned, this will be set using the stock price prevailing on the MAB at the time of the dual-listing of the Company shares.

2.3. Main characteristics of the shares and their corresponding rights for shareholders. Possible limitations concerning the shareholders meeting attendance, vote and appointment of directors.

The legal regime applicable to the Company shares is the one contemplated by the Spanish law; specifically, the one included in the Spanish LSC (Ley de Sociedades de Capital) and in the Stock Market Law (Ley del Mercado de Valores) 24/1988 of July 28.

The shares traded on Euronext Growth Paris will be represented by book entries, registered on Euroclear under the name of the owner or his (her) nominee and they will be settled via cross-border link with the Central Securities Depository (CSD) under the owner's name.

The shares are to be denominated in Euro (€).

All the shares will be ordinary shares granting the same rights to their holders. Among the most relevant rights we should highlight the following:

- **Right to participate in dividend distributions**

The shares confer to their holders the right to participate in all dividend distributions and in their proportional part of the assets remaining under a liquidation event under the terms established in the LSC. As all of them shall be ordinary shares, there shall be no difference among them.

Nevertheless, the future dividend policy and the distributable amount will depend on several factors, such as the Company results, its financial position, cash needs and whichever other relevant factors might occur at each point in time.

The dividend or other proceeds from the shares might be received according to the norm determined for each case and the right to receive its payment shall prescribe in five years, according to the terms of the Spanish Code of Commerce (Código de Comercio). The legal beneficiary of such prescription shall be the Company

- **Preferred subscription right in the issuance of new shares**

According to the Spanish LSC, the owners of the shares will have a preferred right to subscribe new shares (ordinary or preferred) in all capital increases and in the issuance of convertible shares, with the only exception being the subscription rights contemplated in the Article 308 of the LSC.

Additionally, the LSC contemplates the free assignment of shares in the case of capital increases against reserves.

- **Political rights**

The shares confer to their owners the right to assist and vote in the Shareholders General Meeting. Also, the holders of the shares shall be allowed to contest the shareholders agreements in accordance with the terms contemplated by the Spanish SLC.

- **Information rights**

The shares confer their holders the right to be informed under the terms of the article 197 of the Spanish LSC.

2.4. Description of any condition for the free transmission of the shares, statutory or extra-statutory.

There are no restrictions to the free transmission of the Company shares

2.5. Para-social agreements between shareholders or between the Company and its shareholders, that might limit the transmission of shares or affect voting rights.

Currently, there are neither para-social agreements among shareholders nor between the Company and its shareholders regarding the free transmission of the shares or the limitation of the voting rights.

2.6. Commitment vetting the sale, transmission or new share issuance, assumed by the shareholders or by the Company in the light of admission for trading on Euronext Growth Paris.

As the shares have been trading on an organized exchange (MAB) since 2014, and there are no statutory changes contemplated for their dual-listing on Euronext, there shall be no lock-up restrictions for the existing shareholders of the Company, which should be allowed to trade the shares freely in the market.

2.7. Description of the statutory provisions required by the regulation of Euronext Growth Paris regarding the obligation to communicate material participations and para-social agreements and the requirements for the exclusion of trading on Euronext Growth Paris and changes in control within the Company.

On June 2, 2014 at the General Shareholder Meeting of the Company new by-laws were approved, with the purpose of adapting the same to the requirements of the MAB and, in particular, those related with the obligation to communicate material stakes on the company as well as para-social agreements, changes in control of the Company and the requirement to as for the exclusion of trading on the MAB. The terms contemplated in the Article 16th of the Company by-laws should apply for Euronext Growth Paris as well, with the main terms being as follows:

"Shareholdes Will be required to communicate his/her share transactions to the Company if the participation were to exceed or fall below 10% of the capital. If the shareholder were to be a director or a senior executive in the Company, that threshold will be 1%. The shareholder will have to report the transaction to the corresponding department, or the person designated by the Company in less than 4 working days after the transaction."

2.8. Description of the functioning of the General Meeting of Shareholders of the Company.

The General Shareholders' Meeting is ruled by the provisions of the Law, in the Articles of Association in matters related to its convene, preparation, celebration and development, as well as the exercise of the rights of information, assistance, representation and vote of the shareholders.

The Article 13 of the Articles of Association of the Company establishes the following in agreement with the General Meeting:

Article 13.- General Shareholders Meeting

It is the shareholders responsibility, gathered at the General Meeting, to decide by legal majority about matters of the competence of the General Meeting, in accordance with article 201 of the "Ley de Sociedades de Capital" (Companies Law).

The quorums required in the article 201.2 Ley de Sociedades de Capital (Companies Law) are excepted.

All shareholders, including dissidents and those who have not participated in the meeting, shall be submitted to the agreements of the General Meeting, without hurting the rights and actions recognized by Law.

The provisions of the current Law will apply as to the time limits and manner of convening and constituting the Board's General Agreements, and how to adopt agreements.

The precepts of the Ley de Sociedades de Capital will be directly applicable in terms of the duration and manner of convening and constituting the General Shareholders Meeting, and as to how to adopt agreements.

The General Meetings will be held at the place and day indicated by the call within the district where the Company has its legal domicile. However, when the Board of Directors deems it appropriate, it may agree the General Shareholders Meeting to take place in any other place of the national territory, thus indicating it in the call.

The Ordinary Shareholders' Meeting will necessarily take place every year within the first six months of the year to close the Company´s management, approve, where appropriate, the accounts of the previous year and decide on the application of the result.

The shareholders will be convened by the Administration of the Company, one month in advance, through an announcement published on the Company's website: www.facephi.com

It is the responsibility of the Chairman of the Board to lead the deliberations, which will be oral, grant the floor and determine the duration of the following interventions.

Shareholders who have their shares registered in the corresponding accounting record of the securities represented by book entries five days in advance of the one in which the Meeting is to be held shall be entitled to attend the General Meeting.

3. OTHER RELEVANT INFORMATION

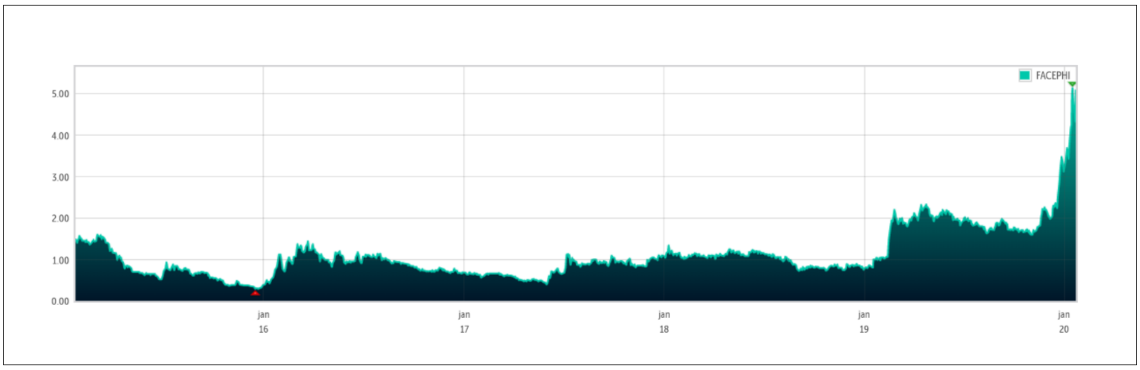
3.1. Main features of the stock on the MAB

ISIN CODE: ES0105029005

Ticker: FACE

Shares: Registered in Iberclear

3.2. Share price performance:



Source: https://www.bolsasymercados.es/mab/ing/EE/Ficha/FACEPHI_ES0105029005.aspx

The high volatility of the stock responds to various reasons. Firstly, the company is listed on an alternative market specialized in low and small capitalization companies ("*Small Caps*") where the volume traded tends to be small. In these markets, systemic volatility tends to be high. Secondly, FACEPHI is a technology company sharing some of the characteristics of technology stocks, are more volatile than the market as a whole. Thirdly, in our view the positive newsflow in terms of results, the signing of new contracts and the increase in sales in the last two years, has attracted investors interest with a positive impact on the share price.

	2016	2017	2018	2019	2020 until 22/01
Capital Admitted (thousands of euros)	531	531	531	531	**531**
Shares (x 1,000)	13,277	13,277	13,277	13,277	**13,277**
Period Close Price (euros)	0.6800	1.0900	0.7500	3.1200	**5.1000**
Period Last Price (euros)	0.6800	1.0900	0.7500	3.1200	**5.1000**
Period High Price (euros)	1.4400	1.3000	1.3600	3.4900	**5.8800**
Period Low Price (euros)	0.3900	0.3800	0.6600	0.7600	**3.0700**
Capitalisation (thousands of euros)	9,028	14,472	9,958	41,424	**67,713**
Volume (thousands of shares)	4,186	4,248	4,162	13,592	**5,201**
Turnover (thousands of euros)	3,805	3,611	4,393	28,020	**22,993**

Source: https://www.bolsasymercados.es/mab/ing/EE/Ficha/FACEPHI_ES0105029005.aspx

3.3. Market Disclosures:

Below are all the releases of "relevant facts" that FACEPHI has made to MAB in 2019:

1. January 4th, 2019: Change on Captable. (Significant participations).
   https://www.bolsasymercados.es/mab/documentos/HechosRelev/2019/01/05029_HRelev_20190104.pdf

2. January 7th 2019: Announcement of the publications of results for the year 2019.
   https://www.bolsasymercados.es/mab/documentos/HechosRelev/2019/01/05029_HRelev_20190107.pdf

3. January 18th, 2019: Publication of the 2018 result: 4.48 million euros.
   https://www.bolsasymercados.es/mab/documentos/HechosRelev/2019/01/05029_HRelev_20190118.pdf

4. February 14th, 2019: Business. Caixabank announces the implementation of FACEPHI technology.
   https://www.bolsasymercados.es/mab/documentos/HechosRelev/2019/02/05029_HRelev_20190214.pdf

5. March 29th, 2019: FACEPHI signs its first contract in Uruguay with HSBC bank.

https://www.bolsasymercados.es/mab/documentos/HechosRelev/2019/03/05029_HRelev_20190329.pdf

6. April 29th, 2019: Mr. Salvador Martí Varó, has made a sale of 162,680 shares to FACEPHI's treasury stock as credit compensation for the loan he had with the Company for a total value of 340,000 euros through a public deed.
   https://www.bolsasymercados.es/mab/documentos/HechosRelev/2019/04/05029_HRelev_20190429.pdf

7. April 30th, 2019: There has been a change of ownership in 162,680 shares that were in the possession of Mr. Salvador Martí Varó, becoming treasury stock of FACEPHI as a result of the loan payment given by Mr. Salvador Martí Varó. Salvador Martí Varó held with the Company for a total value of 340,000 euros.
   https://www.bolsasymercados.es/mab/documentos/HechosRelev/2019/04/05029_HRelev_20190430.pdf

8. May 6th, 2019: Mr. José María Nogueira, Director of the Company, has reduced his indirect shareholding in FACEPHI through the sale of 60,000 shares, leaving his total shareholding at 3.63%.
   https://www.bolsasymercados.es/mab/documentos/HechosRelev/2019/05/05029_HRelev_20190506.pdf

9. May 21st, 2019: The General Meeting of Shareholders is called for 21 and 22 June.
   https://www.bolsasymercados.es/mab/documentos/HechosRelev/2019/05/05029_HRelev_20190521.pdf

10. May 29th, 2019: FACEPHI opens its subsidiary in Seoul.
    https://www.bolsasymercados.es/mab/documentos/HechosRelev/2019/05/05029_HRelev_20190529.pdf

11. June 3rd 2019: Mr. José María Nogueira, Director of the Company, has reduced his indirect shareholding in FACEPHI through the sale of 36,000 shares in the block market, leaving his total shareholding at 3.36%.
    https://www.bolsasymercados.es/mab/documentos/HechosRelev/2019/06/05029_HRelev_20190603.pdf

12. June 5th, 2019: The Board of Directors has accepted the resignation presented by the Director Mr. José María Nogueira Badiola in order to focus on his business project.
    https://www.bolsasymercados.es/mab/documentos/HechosRelev/2019/06/05029_HRelev_20190605.pdf

13. June 7th, 2019: FACEPHI opens a new market in Panama with "Banco General" after signing a contract to acquire the facial recognition technology in its product SelphID.
    https://www.bolsasymercados.es/mab/documentos/HechosRelev/2019/06/05029_HRelev_20190607.pdf

14. June 21st, 2019: Celebration and approval of the FACEPHI General Meeting.
https://www.bolsasymercados.es/mab/documentos/HechosRelev/2019/06/05029_HRelev_20190621.pdf

15. July 5th, 2019: Approval of the incorporation by cooption of a new independent director, Mr. David Devesa, thus forming the Board of Directors with 5 members, 3 proprietary directors and 2 independent directors.
https://www.bolsasymercados.es/mab/documentos/HechosRelev/2019/07/05029_HRelev_20190705.pdf

16. July, 8th, 2019: Updating of the Captable.
https://www.bolsasymercados.es/mab/documentos/HechosRelev/2019/07/05029_HRelev_20190708.pdf

17. July 26th, 2019: Opening up Peru as a new market thanks to the signing of a contract with Banco de Crédito del Perú, BCP, which will offer its customers the SelphID product on the mobile channels, both for IOS and Android, and the bank's website.
https://www.bolsasymercados.es/mab/documentos/HechosRelev/2019/07/05029_HRelev_20190726.pdf

18. September 18th, 2019: Mr. Javier Mira Miró and Mr. Juan Alfonso Ortiz Company, Vice-Chairman and Secretary of the Company's Board of Directors, respectively, lent Nice&Green, S.A. 141,470 and 150,586 shares, respectively, as security for the loan to be capitalised.
https://www.bolsasymercados.es/mab/documentos/HechosRelev/2019/09/05029_HRelev_20190918_1.pdf

19. September 18th, 2019: FACEPHI BIOMETRÍA, S.A. announces the signing of an investment agreement with Nice & Green, S.A. for the amount of FOUR MILLION EUROS (4,000,000 euros). This agreement will take the form of a capitalisable loan of EUR 0.5 million and the issue of warrants convertible into shares for EUR 3.5 million.
https://www.bolsasymercados.es/mab/documentos/HechosRelev/2019/09/05029_HRelev_20190918.pdf

20. October 1st, 2019: FACEPHI BIOMETRÍA, S.A. announces the signing of its first contract in the healthcare sector with Swiss Medical Group of Argentina, thus increasing its presence in the country and in other business areas.
https://www.bolsasymercados.es/mab/documentos/HechosRelev/2019/10/05029_HRelev_20191001.pdf

21. October 28th, 2019: Mr. Juan Alfonso Ortiz Company, Secretary of the Board of Directors, has reduced its indirect participation in FACEPHI through the company Ortimar Sol, which has sold 100,000 shares through the block market leaving its overall participation percentage at 9.01%.
https://www.bolsasymercados.es/mab/documentos/HechosRelev/2019/10/0502

9_HRelev_20191027.pdf

22. November 21th, 2019: The Board of Directors, at its meeting held on 15 November, 2019, agreed to convene the Extraordinary General Meeting of Shareholders to be held on 20 and 21 December 2019.
https://www.bolsasymercados.es/mab/documentos/HechosRelev/2019/11/05029_HRelev_20191121.pdf

23. December 20th, 2019: FACEPHI holds the Extraordinary General Meeting and approves the exit to Euronext Growth.
https://www.bolsasymercados.es/mab/documentos/HechosRelev/2019/12/05029_HRelev_20191220.pdf

4. LISTING SPONSOR AND OTHER EXPERTS OR ADVISORS

FACEPHI designed PMS, Asesores Registrados, S.L. (hereinafter, "**PMS**") as a Listing Sponsor in other to lead the incorporation to Euronext Growth of the Issuer.

It was authorized by the board of director of Euronext on February 7, 2019.

PMS is domiciled in "Avenida de la Victoria", 55 (28023), Madrid-SPAIN, registered in the Mercantile Registry, with Identification Code: B-88122825.

It is represented in this operation by Mr. Mariano Colmenar, Partner and Chief Investment Officer of the firm.

PMS is represented by a multidisciplinary team of professionals with high experience in security issuance and overall capital markets activities both in public as well as in private markets.

No other consultants concur in the incorporation process or in the preparation of this Information Document.

5. PRESS RELEASES RELATIVE OF ITS EURONEXT'S IPO

Expansión Mercados Ahorro Empresas Economía E&Empleo Jurídico Más Suscríbete Iniciar sesión

VALENCIA

COMUNIDAD VALENCIANA

FacePhi se prepara para cotizar en el Euronext Growth de París

K. FERRERO | ALICANTE 28 NOV. 2019 - 21:02

0 Comentar

El presidente de FacePhi, Salvador Martí (i), y el vicepresidente, Javier Mira. efe/ EFE

La firma de tecnología de reconocimiento facial para el sector financiero que ya está presente en el MAB lleva a su junta de accionistas la autorización para entrar en el mercado

El consejo de administración de la alicantina Facephi, especializada en reconocimiento biométrico para el sector financiero, llevará a su junta de accionistas, que celebrará el

Source: https://www.expansion.com/valencia/2019/11/28/5de027e0468aebf4498b4574.html

6. FINANCIAL INFORMATION OF FACEPHI

The annual accounts of the years 2018 and 2017.

FACEPHI BIOMETRIA S.A.

Pursuant to the requirements established by the Corporations Act and the Code of Commerce, on 29th March 2019 the Board of Directors of the Company FacePhi Biometria S.A. proceeded to prepare the Financial Statements corresponding to financial year ending 31st December 2018 comprising 42 pages printed on both sides and numbered 1 to 42, as well as the management report for the same period containing 11 pages numbered from 1 to 11, both inclusive.

Likewise, the Board of Directors has empowered Mr. Juan Alfonso Ortiz Company in his capacity as the Secretary to the Board to sign off all pages in the above documents.

BOARD OF DIRECTORS

Salvador Marti Varo
Chairperson

Javier Mira Miro
Deputy

Juan Alfonso Ortiz Company
Secretary- Board member

Fernando Orteso de Travesedo
Board member

Jose Maria Nogueira Badiola
Board member

FACEPHI BIOMETRIA S.A.

Financial statements and management report for
financial year ended 31st December 2018

Financial statements' contents

Management report

Balance sheet at 31st December 2018 (in Euros)			
ASSETS	NOTES TO THE REPORT	**2018**	**2017**
A) NON CURRENT ASSETS		**2,200,411**	**1,416,311**
I. Intangible fixed assets	**4**	**1,249,975**	**1,118,369**
II. Tangible fixed assets	**5**	**41,319**	**35,651**
V. Current financial investments	**8**	**488,749**	**262,290**
2. Third party payables		0	253.890
5. Other financial assets		488.749	8,400
VI. Deferred tax assets	**12.4**	**420,368**	**0**
B) CURRENT ASSETS		**4,397,162**	**2,991,497**
III. Trade and other receivables	**8**	**3,803,919**	**2,732,996**
1.Trade accounts receivables		3,517,661	2,023,128
3. Other receivables		4,760	4,780
4 Staff		250	5,133
6.Other Public Authorities' receivables	**12.1**	281,248	699,975
V. Current financial investments	**8**	**200,587**	**5,005**
VI. Short term accruals		**5,080**	**46,160**
VII. Cash and cash equivalents	**9**	**387,576**	**207,336**
TOTAL ASSETS		**6,597,573**	**4,407,807**
EQUITY AND LIABILITIES	NOTES TO THE REPORT	**2018**	**2017**
A) EQUITY		**2,588,176**	**1,382,362**
A-1) Equity	**10.1**	**2,371,286**	**1,209,223**
I. Capital		**531,083**	**531,083**
II. Share premium		**2,323,993**	**2,323,993**
III. Reserves		**464.975**	**454,336**
VI. (Treasury stock and shares)		**(150,723)**	**(134,672)**
V. Profit/ loss in previous financial years		**(1,965,517)**	**(2,330,419)**
VII. Profit/loss in current financial year		**1,167,475**	**364,902**
A-3) Grants, donations and legacies received	**10.2**	216,890	173,139
B) NON CURRENT LIABILITIES		**675,504**	**323,415**
I. Non-current provisions		**5,675**	**5,675**
II. Non current debt	**11**	**597,533**	**260,028**
2.Debt with financial institutions		591,693	225,013
5.Other financial liabilities		5,839	35,014
IV. Deferred tax liabilities	**12.4**	**72,297**	**57,713**
C) CURRENT LIABILITIES		**3,333,893**	**2,702,030**
III. Current debt	**11**	**1,914,257**	**2,000,610**
2. Debt with financial institutions		1,893,335	1,325,694
5. Other financial liabilities		20,921	074,910
V. Trade and other payables	**11**	**1,047,400**	**396,141**
1. Suppliers		251	(415)
3. Other payables		776,227	307,995
4. Staff (outstanding salaries)		21,244	0
6. Other Public Authorities' payables	**12.1**	249,678	88,561
VI. Short term accruals	**13.a**	**372,236**	**305,279**
TOTAL EQUITY AND LIABILITIES		**6,597,573**	**4,407,807**

Notes 1 to 19 described in the report are part of the balance sheet at 31st December 2018

Profit and loss account for financial year ending *at 31st December 2018* (in Euros)			
	NOTES TO THE REPORT	(Debits)/ Credits	
		2018	2017
A) CONTINUED OPERATIONS			
1.Net Revenue	**13.a**	**4,480,826**	**2,700,669**
b) Services provided		4,480,826	2,700,669
3.Work undertaken by the Company on its own assets	**4 and 13.b**	**482,866**	**360,812**
4. Supplies		**(120,022)**	**(12,810)**
c) Work undertaken by third party companies		(120,022)	(12,810)
5. Other operating income		**574,208**	**829,165**
a) Additional and other ordinary income		9,443	4,964
b) Operating grants incorporated to profit and loss	**13.c**	564,765	824,201
6. Staff expenses	**13.d**	**(1,716,115)**	**(1,236,636)**
a) Salaries, remunerations and similar expenses		(1,552,343)	(1,109,179)
b) Social contributions		(163,731)	(127,457)
c) Provisions		(41)	(0)
7. Other operating expenses	**13.e**	**(2,486,192)**	**(1,787,016)**
a) External services		(2,486,192)	(1,738,588)
b) Tax		(1,804)	(233)
c) Loss, impairment and variations in provisions for commercial operations	**7**	0	(48,195)
8. Fixed assets depreciation	**4 and 5**	**(366,088)**	**(289,830)**
9. Allocation of grants related to non-financial fixed assets and other	**10.2 and 13.c**	**55,610**	**1,857**
13.Other profit/ loss		**8,622**	**(112)**
A.1) OPERATING PROFIT/ LOSS (1+2+3+4+5+6+7+8+9+10+11+12+13)		**913,716**	**566,098**
14. Financial income		**50**	**269**
b) Income from marketable securities and other financial instruments		50	269
b 2) Third parties		50	269
15. Financial expenses		**(55,523)**	**(32,373)**
b) From third party payables		(55,443)	(32,373)
16.Variations in the fair value of financial instruments		(234)	(112)
a) Trading portfolio and others		(234)	(112)
17. Exchange rate differences	**13.f**	**(5,449)**	**(60,770)**
A.2) FINANCIAL PROFIT/ LOSS (14+15+16+17+18+19)		**(61,156)**	**(92,986)**
A.3) PROFIT/ LOSS BEFORE TAX (A.1+A.2)		**852,559**	**473,112**
20. Income tax	**12..3**	314,916	(108,210)
A.4) PROFIT/LOSS FROM CONTINUED OPERATIONS (A.3 +20)		**1,167,475**	**364,902**
A.5) PROFIT/LOSS FOR FINANCIAL YEAR (A.4 + 21)		**1,167,475**	**364,902**

Notes 1 to 19 in the report are part of the profit/ loss account at 31st December 2018

STATEMENT OF CHANGES IN EQUITY A) Statement of recognised income and expense as at 31st December 2018 (in Euros)			
	Notes to the Report	2018	2017
A) PROFIT/LOSS ACCOUNT BALANCE		**1,167,475**	**364,902**
INCOME AND EXPENSES POSTED TO EQUITY			
III. Grants, donations and legacies received	***10.2***	113,945	208,994
VII. Tax effects	***12.4***	(28,486)	(52,248)
B) TOTAL INCOME AND EXPENSES POSTED TO EQUITY		85,459	156,745
TRANSFERS TO PROFIT/ LOSS ACCOUNT			
X. Grants, donations and legacies received	***10.2***	(55,610)	(1,857)
XIII. Tax effects	***12.4***	13,903	**464**
A) TOTAL TRANSFERS TO PROFIT/ LOSS ACCOUNT		**(41,708)**	**(1,393)**

B) Statement of changes in equity Corresponding to financial year ending on 31st December 2018 (in Euros)								
	Share capital Subscribed	Share premium	Reserves	(Treasury stock and shares)	Profit/Loss in previous financial years	Profit/loss in current financial year	Grants Donations and legacies received	TOTAL
A. BALANCE. AT THE END OF FINANCIAL YEAR 2017	**531,083**	**2,323,993**	**437,188**	**(123,933)**	**(2,266,906)**	**(63,514)**	**17,786**	**855,698**
I. Adjustments for changes in accounting criteria in financial year 2017 and previous *II. Adjustments due to errors in financial year 2017 and previous.*			*(5,000)*					*(5,000)*
B. ADJUSTED BALANCE AT START OF FINANCIAL YEAR 2017	**531,083**	**2,323,993**	**432,188**	**(123,933)**	**(2,266,906)**	**(63,514)**	**17,786**	**850,698**
I. Total recognised income and expenses. *II. Transactions involving partners or shareholders.* 5. Transactions involving own stocks or shares (net). *III. Other equity variations.* 2. Other variations.			*22,148* 22,148	**(10,739)** **(10,739)**	*(63,514)* (63,514)	**364,902** **63,514** **63,514**	*155,353*	*520,255* *11,409* *11,409*
C. BALANCE AT THE END OF FINANCIAL YEAR 2017	**531,083**	**2,323,993**	**454,336**	**(134,672)**	***(2,230,419)***	**364,902**	**173,139**	**1,382,362**
I. Adjustments due to changes in accounting criteria in financial year 2017 II. Adjustments due to errors in financial year 2017								
D. ADJUSTED BALANCE AT START OF FINANCIAL YEAR 2018	**531,083**	**2,323,993**	**454,336**	**(134,672)**	***(2,230,419)***	**364,902**	**173,139**	**1,382,362**
I. Total recognised income and expenses *II. Transactions involving partners or shareholders.* 5. Transactions involving own stocks or shares (net) III. Other equity variations. 2. Other variations			*10,639* 10,639	*(16,051)* (16,051)	*364,902* *364,902*	*1,167,475* *(364,902)* *(364,902)*	*43,751*	*1,211,226* *(5,412)* *(5,412)*
E. FINAL BALANCE AT THE END OF FINANCIAL YEAR 2018.	**531,083**	**2,323,993**	**464,975**	**(150,723)**	**(1,965,517)**	**1,167,475**	**216,890**	**2,588,176**

Notes 1 to 19 of the report are part of the statement of changes in equity at 31st December 2018

Cash flow statement corresponding to financial year ending on 31st December 2018 (in Euros)	2018	2017
A) Cash flow from operating business		
1. Profit/ Loss before tax.	852,559	473,112
2. Adjustment to Profit (Loss).	-192,882	-432,001
a) Fixed assets depreciation (+)	366,089	289,830
b) Corrections in value due to impairment (+/-)		48,195
d) Allocation of grants (–)	-602,095	-803,867
g) Financial income (–)	-50	-269
h) Financial expenses (+)	55,443	32,373
i) Exchange rate differences (+/–)	-12,269	2,737
3. Changes in working capital	**-246,962**	**-1,208,471**
a) Stocks (+/-)		
b) Trade and other receivables (+/-)	-1,006,258	-1,652,617
c) Other current assets (+/-)	41,080	-48,893
d) Suppliers and other payables (+/-)	651,259	187,760
e) Other current liabilities (+/-)	66,957	305,279
f) Other non-current assets and liabilities (+/–)		
4. Other cash flow from operating business.	**-160,845**	**-75,120**
a) Interest paid (-)	-55,443	-32,373
c) Interest received (+)	50	269
d) Income tax received (paid) (+/-)	-105,452	-43,016
e) Other amounts received (paid) (+/-)		
5. Cash flows from operating activities (+/- 1 +/-2 +/-3 +/-4)	**251,869**	**-1,241,479**
A) Cash flow from investments		
6. Investment amounts paid (–)	**-983,713**	**-389,878**
a) Group and associated companies.		
b) Intangible fixed assets.	-488,166	-373,028
c) Tangible fixed assets.	-15,196	-15,230
e) Other financial assets.	-480,351	-1,620
7. Payments received from disvestments (+)		**7,997**
e) Other financial assets.		7,997
8. Cash flow from investments (7-6)	**-983,713**	**-381,881**
A) Cash flow from financing.		
9. Amounts paid and received for equity instruments	**-5,412**	**11,409**
c) Purchase of own equity instruments.	-239,357	-285,462
d) Disposal of own equity instruments.	233,945	290,462
10. Amounts paid and received in concept of financial liability instruments.	**911,681**	**1,303,851**
a) Issuance.		
2. Debt with financial institutions (+)	**1,573,455**	**1,425,629**
b) Repayment and amortisation of		
2.Debt with financial institutions (-)	-639,134	-93,945
4. Other (-)	-22,640	-27,834
11. Amounts paid for dividends and other equity instruments' remunerations		
12. Cash flows from financing (+/-9+/-10-11)	**906,269**	**1,315,259**
D) Effects of variations on exchange rates.	**5,815**	**19,274**
E) Net increase/ decrease in cash flow or cash equivalents (+/-A +/-B +/-C +/-D)	**180,240**	**-288,827**
Cash or cash equivalents at the start of financial year	207,336	496,162
Cash or cash equivalents at the end of the financial year	387,576	207,336

Notes 1 to 19 described in the report are part of the cash flow statement at 31st December 2018

1. Company's nature and business activity

Incorporation and registered address

FACEPHI BIOMETRIA S.A. was incorporated for an indefinite period on 26th September 2012 before the notary public Mr. Ignacio J. Torres Lopez. Its registered address is in Alicante, at Mexico 20.

Business activity

In conformity with the Company's Articles of Association, their corporate purpose is the research, development and marketing of all types of IT equipment, hardware, software and domestic appliances. Online sales via the Internet and/ or similar distribution channels, import, export, dealership, marketing, distribution, intermediation, retail and wholesale trade, production, handling, manufacturing and provision of hardware and physical media software related services via the sale of user licences, electronic products and components, domestic and telecommunication appliances. Online activities as well as the supply of IT and training services. Promotion, construction, purchase, transferral, intermediation, lease (except financial leasing), sublease, direct and indirect installation or exploitation, consulting services, urban land management, management and custody of all types of real estate assets and plots of land under any planning classification, buildings, bungalows, apartments, villas, developments, sport fields, home dwellings, industrial or business premises, hospitality businesses, with or without furnishings, on their own behalf and on behalf of third parties, and publicly or privately owned.

It currently undertakes the marketing and implementation of in-house developed facial recognition biometric software under code 845 of the Economic Activities Tax classification (IAE as per its Spanish Acronym).

The Company has no interest in any other firm or any relationship with other entities that may result in a group or association relationship according to the terms and requirements established in Article 42 of the Code of Commerce.

The Company's functional currency is the Euro.

2. Basis of presentation

a) Regulatory framework applicable to the Company's financial reporting

These financial statements have been prepared by the Board of Directors in accordance with the regulatory framework applicable to the Company's financial reporting established by:

- Code of Commerce and other trading legislation.
- Consolidated Text of the Corporations Act.
- General Accounting Plan (as approved by Royal Decree 1514/2007 passed on 16th November) and subsequent amendments.
- Mandatory rules approved by the Institute of Accounting and Account Audits (ICAC) further to the implementation of the General Accounting Plan and additional regulations.
- Any other applicable Spanish legislation currently in force.

These financial statements have been obtained from the Company's accounting records and are presented in accordance with the above mentioned applicable regulatory framework regarding accounting information and, more specifically, the accounting principles and regulations contained therein, in order to provide a true and fair view of the Company's equity, its financial position and profit/ loss, as well as the cash flows corresponding to financial year 2018.

There are no extraordinary reasons whereby any legal accounting dispositions may have not been implemented in order to provide a true and fair image.

These financial statements shall be submitted to the Annual General Shareholders' Meeting where they are expected to be approved without any modifications. In regards to the financial statements for financial year 2017, these were approved by the Annual General Shareholder's Meeting held on 6th June 2018.

b) Non-mandatory accounting principles applied

No non-mandatory accounting principles have been applied. In addition to the above, the Company's Board of Directors has prepared these financial statements in consideration of all mandatory accounting principles and rules of application that have a significant effect in the above mentioned accounts. No mandatory accounting principles were ignored.

c) Critical aspects of measuring and estimating uncertainty

All responsibility concerning the information contained within these financial statements lies with the Company's Administrators.

In preparing the attached financial statements, certain assessments, assumptions and estimations were required to be made by the Company's management that affect the application of the regulations and the value of its assets, liabilities, income, expenses and commitments. Any estimations and assumptions adopted are based on historical data and other reasonable factors under the current circumstances. In these regards, following is a detailed breakdown of all aspects that involved a greater degree of judgement, complexity or for which the assumptions and estimates were significant in the preparation of the financial statements:

- Useful lives of intangible and tangible fixed assets: Estimated useful lives and the corresponding depreciation charges for the relevant fixed assets are determined by the Company's management. This estimation is based upon their expected useful life, in view of their actual depreciation caused by their operation, use and benefit (notes 3.1 and 3.2).
- Estimation of the potential wear and tear of intangible fixed assets based upon the achievement of future cash flows arising from the fulfilment of the Business Plan set out by the Company (see note 3.3).
- Fair value of non listed financial assets. There are a number of valuation techniques involved in determining the fair value of financial instruments that are not listed in an active market. In this case, the Company uses its own criteria to select the appropriate method and makes assumptions based mainly on existing market conditions at each balance sheet's date (note 3.4).
- Application of the going concern principle (note 2.d).
- Recoverability of tax credits for tax losses and deferred tax assets recognised in the balance sheet (see note 12).
- Acknowledgement and application of the H2020 grant based upon the eligible costs incurred (see notes 10.2 and 13.c).

These estimations were made in accordance with the best available information on the analysed facts at the date of preparation of these financial statements. However, it is possible that subsequent events taking place in the future may require them to be amended (upwards or downwards) in forthcoming financial years. If required, this would be performed in a prospective manner pursuant to rule 22 of the General Accounting Plan by recognising the effects of changes in the estimations on the corresponding profit/ loss account.

d) <u>Principle of going concern</u>

These financial statements were prepared and submitted under the principle of going concern, i.e., by assuming that the Company shall continue its business in the future.

However, there are certain circumstances, now almost non existent, which have hampered the Company's attempts to continue operating in the past. Although these are today widely compensated by other circumstances that mitigate the difficulties they represented. Following is a list of both types of circumstances or factors:

Difficulties:

- A business plan prepared by the Company was made public and noteworthy after its publication in the DIIM (information document for inclusion into the Alternative Investments Market as per its Spanish Acronym) and subsequent DAR's (Abridged Capital Increase Documents as per its Spanish Acronym).
- During financial year 2016, the forecast revenue figures for 2016 were achieved and exceeded, although with certain deviations in regards to the forecasts included in the DIIM.
- During financial year 2017, the forecast figures were achieved and the projected revenue figures for 2017 were exceeded, mainly due to the completion of two new portfolio agreements and the increase of development cost related expenses incurred as a result of the improvements on Company owned technology, in addition to the attendance to exhibitions and events in order to increase products awareness and notoriety.

Mitigating factors:

- During financial year 2018, the Company increased its turnover by 66% going from the 2.7 million achieved in 2017 to reach 4.48 million Euros. Therefore, it has seen an increase of 1,780,157.15 Euros in 2018, i.e., 66% more than the previous financial year.

EUROS	2018	2017	2016	2015
Net Revenue	€4,480,826.15	€2,700,669.00	€2,007,719.00	€407,469.00
Abs. Var.	€1,780,157.15	€692,950.00	€1,600,250.00	
Relative % Var.	66%	35%	393%	N/A

- There has been a very positive evolution in revenue in the last few years. Latin America continues to be its main market.
- In 2018, the Company's EBITDA likewise increased to the amount of 1,279,804 Euros (855,929 Euros in 2017), following the trust deposited in our project by the financial markets, as shown in the development of our share price in the alternative stock market. This increase of 423,875 Euros (49.5%) represents a quantum leap from the values seen in 2015 and 2016.

	2018	2017	2016	2015
EBITDA	€1,279,804.00	€855,929.00	€195,273.00	€595,265.00
Absolute variation	€423,875.00	€660,656.00	€790,538.00	
Relative variation	49.9%	338.3%		

- 2018 also saw improvements in the Company's financial and equity position, with another quantum leap when compared to previous years as seen due to the improvement in its working capital and an increase in equity from 1.3 to 2.6 million Euros in 2018, mainly arising from a significant increase in the financial year's profits that amounted to 61%. This result originated from a substantial increase in the implementation and development of the business plan, mostly due to the success achieved following the initial integrations and production readiness of new developments, as well as improvements to existing products, and the integration of high class, top rated customers from the banking industry worldwide. Thanks to the highly satisfactory ease of integration and user acceptance experienced by the initial customers who purchased the technology, this has resulted in over 50% reductions in future clients' decision times for this 100% tried and tested product already in production. Having customers undergoing production has represented a major milestone that has seen the Company become a front row "*player*" in terms of banking authentication systems.

- In regards to our forecasts for 2019, at the date of preparation of these financial statements we are expecting to complete new agreements and to fulfil new orders, including the branch of HSBC Bank in Uruguay and Supervielle Bank, considered as the seventh largest private lending bank in Argentina.
- In addition to the above, the initial licensing agreements involving financial entities tend to begin with a limited, reduced amount of users at the start. However, once the technology is put to use by the bank's customers, we are seeing high levels of adoption and conversion leading to an increased number of uses and customers that translates into an increased number of orders for new user licences. This in turn allows us to increase turnover and to obtain further recurring income in the next few months with the same base of existing installations and without additional overheads.
- At 31st December 2018, the Company's equity amounted to 2,588,176 Euros. Since 31st December 2017, there was a major improvement in both income, turnover and EBITDA. This improvement is generalised and it encompasses all figures, including profitability.
- Following our attendance to the most important worldwide banking exhibitions such as Money 20/20 in Singapore during Q1 2018 and its US edition held in October, we expect to see the opening of the US and Asian markets in the short term resulting in additional income to our turnover in 2019 and subsequent financial years.
- A new sales channel consisting in establishing OEM type collaboration agreements to become the technology partners of renowned worldwide cyber security firms such as Fujitsu, ENTRUST, Easy Solutions and/ or BioConnect should translate into further income from the sale of licences while increasing our customer portfolio and case studies involving the use of FacePhi technology.
- FacePhi Biometria are the owners of the Selphi and FacePhi Beyond Biometrics trademarks, and their ownership grants the protection of these brands both within the EU territory (trademarks No. 015106354 and 015114853 respectively) as well as within the US territory, pursuant to the trademarks granted by the USPTO (United States Patent and Trademark Office serial no. 79190080 and 79190126). Likewise, the following EU Trademark certificates have been registered under no. 017896710 LookΦ 017948110 inPhinite; 017948113 4Phingers; 017948116 Phivox; 017948119 SignPhi; 017948878 SelphID. Following the entry into force of the Business Secrets Act 1/2019 passed on 20th February a new scenario shall be established with more legal security for any confidential knowledge (algorithms, know-how, etc.) than before, resulting in further protection against the potential breach of business secrets.

- Including new technologies such as “Digital onboarding” or “voice recognition” through collaborations shall increase FacePhi's product *portfolio* by creating new opportunities to increase our turnover from current and potential clients. Currently, we have five products in the market:

    - SelPhi: Biometric facial recognition
    - Look&Phi: Periocular biometrics recognition
    - SelphID: Digital onboarding and KYC (Know Your Customer)
    - PhiVox: Voice biometric recognition and call centre
    - IdentiPhi: ID-selfie matching

- A further highlight in regards to 2018 was the launch of inPhinite, a combination of biometric and other type of security systems to create a comprehensive ID authentication and digital integration solution that allows users to access, verify and operate with different services and products from mobile and web applications. An easy to integrate framework that allows customers to decide which components they want to enable in order to provide a better, more tailored end user experience. In addition to this, inPhinite features SelPhi®, a facial biometric solution granted with the Interoperability Test certification by FIDO Universal Authentication Framework (UAF), the world's largest ecosystem for standards-based, interoperable authentication processes.

- The Company presented a positive working capital of 3.7 million Euros at the end of 2018. In 2017 the above figure amounted to approximately 0,3 million Euros, while in 2016 it amounted to 0.6 million Euros. In 2015, however, there was a negative working capital of -0.4 million Euros.
- In March 2019, a final communication was received along with the final payment corresponding the last part of the H2020 EU scheme for an initial amount of 1,692,600 Euros to cover costs arising from the development of its business.
- The Company has a positive cash flow position. Cash flow levels in 2018 showed a balance of 387,576 Euros resulting in an ideal liquidity level.

Euros	2018	2017	2016	2015
Cash and cash equivalents	€387,576.00	€207,336.00	€496,162.00	€829.00

- On the other hand, the Company's administrators and main shareholders have expressed their ongoing commitment to financially support the firm as materialised in the different capital increases undertaken in financial years 2015 and 2016.
- Currently, the company is no longer in an initial commercial stage, but rather fully embarked on a national and international expansion plan and experiencing full growth thanks to the high acceptance achieved by its products.
- Due the Company's management being currently negotiating multiple commercial proposals with highly relevant financial entities in order to implement and commercialise the FacePhi technology, the Administrators believe that this should translate into a significantly increase in the turnover and profits for future financial years.

Recurrent revenues

Segmented between the sale of recurring or perpetual licences, the Company's income types also include other sources including services such as support, maintenance, certification, consulting, upgrades or specific development. Currently, recurring licence sales represent 59% of the Company's turnover. Therefore, FacePhi's future success shall depend upon the renewal of recurring licences, attracting new customers, selling new licences or products to its existing customers, increasing the number of recurring licences sold or developing new products. Notwithstanding the foregoing, the entire based of already installed perpetual licences generates a recurring margin of between 20 and 25% of each bank's corresponding turnover in concept of support, maintenance and upgrade services.

Company performance forecast.

It is expected that the company will consolidate its position in all existing markets and expand further within the banking sector with the addition of new countries, continents and customers. In line with its business plan, we also foresee a substantial increase in its turnover and customer base in the forthcoming months and years.

The Company has seen a substantial increase in the implementation and development of its business plan, mostly due to the success achieved following the initial integrations and production readiness, as well as the integration of high class, top rated customers from the banking industry. Thanks to the highly satisfactory ease of integration and user acceptance experienced by the initial customers who purchased the technology, this has resulted in over 50% reductions in future clients' decision times for this tried and tested product already in production. Having customers undergoing production has represented a major milestone that has seen the Company become a front row "*player*" in terms of banking authentication systems.

For all the above reasons, the Company's Administrators have decided to prepare these financial statements under the principle of going concern.

e) Comparison of information

For comparison purposes, in addition to the amounts included in the balance sheet, the profit/ loss account, the statement of changes in equity, the statement of cash flows and the management report for financial year 2018, the Company's Administrators have also provided the figures corresponding to financial year 2017 as approved by the Annual General Shareholders' meeting.

Also included in the report is the qualitative information from the previous financial year, except where specifically regarded as not necessary by any accounting rule.

f) Changes to accounting criteria and correction of errors

During financial year ending 31st December 2018, the Company has not carried out any adjustments due to changes in the accounting criteria applied during financial year 2017 and it was not required to correct any errors from the current or previous financial years either.

3. Basis of measurement

These financial statements were prepared in conformity with the principles and the valuation and classification rules included in the current General Accounting Plan.

Below is a list of the most significant accounting principles and valuation standards applied in the preparation of these financial statements.

3.1 Intangible fixed assets

Intangible fixed assets are recognised at purchase or production cost. Intangible fixed assets are shown in these financial statements at cost, including any applicable accumulated deductions arising from depreciation and accumulated impairment losses.

Intangible fixed assets are assets with a defined useful life and therefore, subject to systematic depreciation over the period during which it is reasonably expected that their inherent economic benefits shall provide revenues for the Company.

Any assets with useful lives that cannot be reliably estimated are depreciated over a period of ten years.

In either case, and at least on an annual basis, it must be assessed whether there are indications of a possible loss in value in order to check for impairment where applicable.

a) Research and development expenses

All *Research expenses* are recognised as an expense in the period in which they are incurred. However, these may be capitalised as intangible fixed assets as soon as they meet the following requirements:

- They are specifically itemised by project and the related costs are clearly identified so that they can be allocated over time.
- There is a clear connection between the research project and the expected and achieved results. This requirement is assessed in generic terms for each group of activities interconnected by a common purpose.
- There are sound reasons for expecting technical success and economic and commercial profitability for the corresponding project.

Research and development expenses are depreciated over a period of 5 years

On the other hand, *Development expenses* are directly capitalised as soon as these meet the following requirements:

- There is a specific itemized project that makes it possible to measure the expenditure attributable to the project's development reliably.
- There is a clearly established allocation, assignment and distribution of the costs for each project over a period of time.
- There are justified reasons to expect technical success for the project development at all times, both if it was intended to directly exploit its benefits or to sell the resulting project to any third party once completed, provided that there is a market available.
- There are reasonable assurances to guarantee the project's financial profitability.

- There are reasonable assurances to guarantee funding for the different projects until these are completed. In addition to ensuring the availability of adequate technical and other resources to complete the project and to use or sell the intangible asset.
- There is an intention to complete the intangible asset and use or sell it.

In each financial year while the project remains active, the Company verifies compliance with all the above conditions and capitalises the resulting amount from the moment when these conditions are met.

Any costs that were initially recognised as expenses for the financial year in which they were incurred shall under no circumstances be capitalised despite having met the above conditions.

Any projects that are undertaken using the Company's own resources are measured at production cost comprising all costs that are directly attributable and necessary to create, produce and prepare the asset in order to ensure that it can operate in its intended manner.

All Development expenses are recognised as an expense in the period in which they are incurred. Any development costs that were previously recognised as an expense are not capitalised in subsequent financial years. Development costs are capitalised in conformity with the conditions stated above in this same section. These are depreciated on a straight-line basis along the estimated useful life of each corresponding project without exceeding 5 years.

Research and development expenses are depreciated over a period of 5 years.

Should their carrying amount exceed their estimated recoverable amount, the former is immediately reduced to match the latter.

Should there be any variations to the favourable project circumstances that allowed for the capitalisation of its development costs, any amounts outstanding to be depreciated shall be charged to profit/ loss in the financial year when these circumstances have changed.

Estimations regarding the potential impairment of intangible fixed assets are based upon the achievement of future cash flows arising from the fulfilment of the Business Plan set out by the Company adjusted using a market discount rate. The above mentioned plan supports the commercial success of any research and development costs that have been capitalised as well as their recoverability.

As at 31st December 2018, the Company estimated that there were no indications of impairment on its intangible fixed assets since the Administrators have high expectations in the fulfilment of the business plan, which demonstrates that, based on their forecasts, the total amount corresponding to intangible fixed assets and tax credits shall be recovered in full over the forthcoming financial years.

b) IT applications

Licences for IT software purchased from third parties are capitalised on the basis of the costs incurred to purchase them and prepare them for use in the specific software. IT applications are depreciated on a straight-line basis during a period of 4 years.

All IT software maintenance expenses are recognised in the period in which they are incurred. All costs that are directly related to the production of unique and identifiable IT software controlled by the Company, and provided that it is probable that they will yield economic benefits that outweigh their costs for a period of over a year are recognised as intangible assets. Direct costs include expenses for staff developing the IT software and an appropriate percentage of the general overheads.

IT software development costs recognised as assets are depreciated over their estimated useful lives (not exceeding 4 years).

c) Industrial property

Industrial property is measured according to the costs incurred to obtain ownership or usage rights, or the assignation in use of its different expressions, provided that the economic conditions arising from the agreement are inventoried by the purchasing company. These shall include, among others, patents of invention, utility models protection certificates, industrial design and patents of introduction.

Industrial property rights are recognised at purchase or production cost. This heading shall include the carrying amounts of any capitalised development costs when the corresponding patent or similar is granted, including any industrial property registration and processing costs, and provided that the necessary legal conditions are met for their registration in the relevant registers, notwithstanding any amounts that may also be recognised following the purchase of the corresponding rights from third parties. Research costs shall continue to be depreciated as usual and shall not be included in the industrial property's carrying amount under any circumstances. They have an estimated useful life of 20 years.

3.2 Tangible fixed assets

All tangible fixed assets elements are recognised at purchase or production cost less any accumulated depreciation and, where applicable, any recognised impairment losses.

Any tangible fixed asset's expansion, modernisation or refurbishments costs are only capitalised as an increase in the asset's value when they represent an increase in their productivity, capacity or useful life, and provided that it is possible to know or estimate the carrying amounts of any elements removed from the inventory following their replacement.
Major repair costs are capitalised and depreciated over the asset's estimated useful life, whereas recurring maintenance costs are charged to profit/ loss in the financial year in which they are incurred.

Except in the case of lands that are not depreciated, the depreciation of tangible fixed assets is calculated on the straight-line basis and based upon their nature, and in view of their actual depreciation caused by their operation, use and benefit.

Their useful lives are as follows:

Element	Annual percentage	Remaining useful life	Method
Other installations	10%	10	Straight line basis
Furniture	10%	10	Straight line basis
IT equipment	25%	4	Straight line basis
Other tangible fixed assets	10%-20%	5-10	Straight line basis

All assets' residual values and useful lives are reviewed, and adjusted if necessary, at each balance sheet date.

Should an assets' carrying amount exceed their estimated recoverable amount, the former is immediately reduced to match the latter. (Note 3.3).

Any profit/ loss arising from the disposal of any tangible fixed assets is calculated by comparing the proceeds obtained from the sale with the carrying amount and posting the balance to profit/loss.

3.3 Losses for impairment in value of non financial assets

Assets subject to depreciation are tested for impairment whenever any event or change in circumstances indicates that the carrying amount may not be recoverable. Impairment losses in the value of these assets are recorded when its net carrying amount is higher than its recoverable amount, the latter being the fair value after deducting any sale related costs and its value in use, whichever is higher. For the purposes of evaluating impairment losses, assets are grouped into the lowest level at which separate cash flows may be identified (cash generating units). Non-financial assets other than goodwill that have suffered an impairment loss are reviewed for possible reversal of the impairment at each balance sheet date.

During financial years 2018 and 2017, the Company has not recorded any impairment losses on their fixed assets, as the Administrators have deemed that the carrying amounts of these assets does not exceed their recoverable amount.

3.4 Financial assets

Loans and other receivables:

These comprise financial assets arising from the sale of goods or supply of services under the Company's normal business. Also those that, although not originating in trade activities, are neither equity instruments nor derivatives, and where the payments to be received are either fixed or determinable, and cannot be negotiated in an active market, such as guarantee deposits or fixed-term bank deposits.

These assets are initially recognised at fair value, including any directly attributable transaction costs incurred, and are subsequently carried at their depreciated cost with any interest income recognised on the basis of the effective interest rate, which is defined as discount rate that matches the carrying amount of the instrument with the expected flow of projected future cash flows until its maturity. Notwithstanding the foregoing, any trade receivables with a maturity of under one year are measured, both initially and subsequently, at their nominal value if the effect of not adjusting the cash flows is not significant.

At least at the end of each financial year, the Company undertakes the necessary corrections in value due to impairment when there is objective evidence that it will not be possible to collect all amounts due.

Losses due to impairment in value are the balance between the carrying amount of the relevant asset and the current value of estimated future cash flows discounted at the effective interest rate at the time of their initial recognition. Impairment losses recognised and, where applicable, reversed are charged and credited, respectively, to profit/ loss.

3.5 Equity

The share capital is represented by shares. Any costs arising from the issuing of new shares or options are directly deducted from equity as a reduction in the reserves.

In the event of purchase of treasury shares, the consideration paid, including any incremental costs directly attributable to this transaction, is charged to equity until cancelled, reissued or disposed of. In the event that these shares were subsequently sold or reissued, any amounts received, net of any incremental costs directly attributable to the transaction, shall be posted to equity.

3.6 Financial liabilities

Debts and other payables

This category includes trade and non trade payables. Borrowings are classified as current liabilities unless the Company has unconditional rights to defer their repayment for at least 12 months after year end.

These debts are initially recognised at fair value, including any directly attributable transaction costs incurred, and are subsequently carried at their depreciated cost on the basis of the effective interest rate. This effective interest rate is defined as the discount rate that matches the carrying amount of the instrument with the expected flow of projected future cash flows until its maturity.

Notwithstanding the foregoing, any trade payables with a maturity of under one year that do not have a contractual interest rate are measured, both initially and subsequently, at their nominal value if the effect of not adjusting the cash flows is not significant.

If existing debt is renegotiated, no substantial changes to the financial liability are deemed to exist when the new lender is the same as the original lender and the current value of the cash flows, including net commissions, does not differ by more than 10% from the current value of the outstanding cash flows from the original liability calculated using the same method.

Derecognition

Financial liabilities are derecognised by the Company when the obligations giving rise to them cease to exist.

In the event of an exchange of debt instruments with substantially different terms, these shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Likewise, the Company shall record substantial changes to the current terms of the financial liability.

Any balances between the carrying amount of either the full financial liability or the part derecognised and the consideration paid, plus any costs attributable to the transaction, that shall also include any assets transferred other than cash or the liability assumed, shall be recognised in profit/ loss in the corresponding financial year.

In the event of an exchange of debt instruments where the terms are not substantially different, the original financial liability is not removed from the balance sheet and any commissions paid are recognised as an adjustment to the carrying amount. A new depreciated cost for the financial liability shall be determined by applying the effective interest rate that matches the carrying amount of the financial liability at the date of modification, with the cash flows to be paid according to the new terms.

3.7 Classification of current and non current assets and liabilities

Assets and liabilities are classified as either current or non current in the Company's balance sheet. For these purposes, current assets and liabilities are those that meet the following criteria:

- Assets are classified as current when the Company either expects to realise, sell or consume them within its normal operating cycle, or when they are held primarily for the purpose of trading, they are expected to be realised within twelve months from the balance sheet date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least twelve months from year end.
- Liabilities are classified as current when the Company either expects to settle them within its normal operating cycle, or when they are held primarily for the purpose of trading, they are due to be settled within twelve months from the balance sheet date or the Company does not have an unconditional rights to defer settlement of the liability for at least twelve months from year end.
- Liabilities are classified as current when the Company either expects to settle them within twelve months from the balance sheet date although the original term was for a period longer than twelve months, and an agreement to refinance, or to reschedule repayments on a long-term basis is completed after the reporting period and before the financial statements are prepared.

All other assets and liabilities that do not meet the above conditions are classed as "non current".

3.8 Grants, donations and legacies

Refundable grants are recognised as liabilities until the conditions required for them to be considered non-refundable are met. On the other hand, non refundable grants are directly posted to equity and recognised as income on a systematic and rational basis that correlates to the expenses arising from the grant. Non refundable grants received from shareholders are posted directly to equity.

For these purposes, a grant is considered non refundable when it is based upon an individual agreement, all the conditions established therein have been met and there are no reasonable doubts that it will be collected.

Monetary grants are measured at the fair value of the amount received, while non monetary grants are measured at the fair value of the item received. In both cases, these shall be the current values at the time of their initial recognition.

Non refundable grants related to the purchase of tangible or intangible fixed assets and real estate investments are recognised as income for the year in proportion to the depreciation of the corresponding assets or, if applicable, when these are either sold, or when there is an impairment adjustment or they are derecognised in the balance sheet. On the other hand, non returnable grants related to specific expenses are posted to profit/ loss account in the same financial year in which the corresponding expenses have been incurred and those granted to off-set an operating deficit are posted in the year in which they are granted, except when used to offset an operating deficit in future financial years, in which case, they are posted to profit/ loss in the corresponding financial years.

3.9 Current and deferred tax

Income tax expense/ income is the amount of tax becoming due during the financial year and it comprises both current and deferred tax expense/ income.

Both the deferred tax expense (income) are recognised in profit/ loss. However, the tax effect of any items directly posted to equity are also recognised in equity.

Current tax assets and liabilities are measured as the amounts that are expected to be paid or received from the Tax Authorities pursuant to currently enacted or substantively enacted regulations at year end.

Deferred tax is calculated in accordance with the balance sheet liability method, based upon the temporary differences arising between the accounting treatment of assets and liabilities and their carrying amounts. However, if the deferred tax arises from the initial recognition of an asset or liability as part of a transaction that is neither a business combination nor has affected the accounting profit or taxable profit at the time when the transaction took place, these shall not be recognised. Deferred tax is determined by applying the regulations and tax rates that have been enacted or substantively enacted by the year end and that are expected to apply when the relevant deferred tax asset is realised or the deferred tax liabilities are settled.

Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available in the future against which these deductible temporary differences can be offset.

3.10 Staff benefits

a) <u>Redundancy compensation</u>

Redundancy compensations are paid to staff as a consequence of the Company's decision to terminate their employment before the normal retirement age. These compensations are recognised by the Company when it is demonstrably committed to terminate the staff member's terms of employment in accordance with a detailed approved plan, without the possibility of withdrawal. Any compensations that are not due to be paid in the twelve months following the date of the balance sheet are deducted from their current value.

b) <u>Profit sharing and bonus payment plans</u>

A liability and an expense corresponding to the financial year end bonus is calculated and recognised by the Company using a formula that takes into account the evolution of its capitalisation during the relevant financial year. A provision is also recognised when contractually bound or where there is a past practice that has created a constructive obligation.

c) Non-competence agreement

There are several employment agreements signed by the Company that include non-competence clauses. However, the Administrators have considered that the conditions are not met to record a liability and an expense due to the low, almost nil probability of occurrence.

d) Payments based on equity instruments

Any transactions involving the exchange for goods or services, included those provided by staff, that are settled by the Company with own equity instruments or according to an amount calculated on the basis of these, such as share options or cash-settled share appreciation rights, are considered as transactions with payments based on equity instruments.

At 31st December 2018, there were no incentives schemes or staff and/ or directors remuneration policies where the relevant payments and settlements involved any own equity instruments.

Measurement

In the case of transactions involving staff that are settled with equity instruments, both the services provided as well as the increase in equity to be recognised are measured at the fair value of the equity instruments assigned at the date of the assignment agreement.

Any transactions settled with equity instruments in exchange for goods or services other than those provided by staff where the value can be estimated reliably shall be measured at the fair value of the goods and services received at the date when these are received. If the fair view of the goods and services received cannot be estimated reliably, the goods or services received and the corresponding increase in equity shall be measured at the fair value of the equity instruments assigned on the date when the Company has obtained the goods or received the services.

Once the goods and services received have been recognised in conformity with the stipulations included in the above paragraphs, as well as the corresponding increase in equity, no further equity adjustments shall be possible after the vesting date.

In the case of transactions settled in cash, the goods and services received and the corresponding liabilities recognised shall be measured at the fair value of the liability on the date when the requirements for their recognition were met.

At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is measured, with any changes in its fair value recognised in profit/ loss for the year.

3.11 Provisions and contingencies

Provisions for environmental restoration, restructuring costs and litigation are recognised when the Company has a current legal or implicit obligation as a result of past events, it becomes probable that an outflow of resources may be required to settle the obligation and the amount can be reliably estimated. Provisions for restructuring costs include fines applied following early termination of property leases and redundancy compensations paid to staff. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the consideration required to settle the obligation using an interest rate that reflects current market assessments of the time value of money and the risks specific to the liability. Any adjustments arising from the restatement of these provisions as a financial expense are recognised as and when these are accrued.

Provisions maturing in one year or less that do not have a significant financial effect are not discounted.

When part of the disbursement required to settle the provision is expected to be paid by a third party, the reimbursement is recognised as a separate asset provided that its collection is practically assured.

On the other hand, contingent liabilities are those possible obligations arising from past events which may or may not materialise, depending on one or more future events outside the Company's control.

Although these contingent liabilities are not recognised, they are shown in a detailed breakdown provided in the report.

3.12 Revenue Recognition

Revenue is measured at the fair value of the consideration to be received and represents the amounts receivable for goods and services provided in the Company's normal course of business, net of returns, rebates, discounts and value added tax.

Income is recognised by the Company when it can be measured reliably, it is probable that the future economic benefits will flow towards the Company and if the specific conditions for each of the activities are met as detailed below. It is not considered that the amount of the revenues can be measured reliably until all sale related contingencies have been resolved. All Company estimates are based upon historical data, taking into consideration the type of customer, transaction and the specific terms in each arrangement.

Revenues arising from the sale of rights to use (licensing) the facial biometrics recognition technology software (FacePhi SDK) are recognised by the Company when the significant risks and rewards of ownership have been transferred to the buyer and the above mentioned conditions stated in the above paragraph are met. At the same time, a charge is made to profit/ loss depending on the licensing period, that may be in perpetuity or for a defined term as stated in the agreement.

Any income arising from maintenance and support services are recognised on the basis of their period of accrual.

3.13 Leases

When the Company acts as the lessor – Operating leases

Leases where the lessor retains a substantial part of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit/ loss for the financial year in which they become due on a straight line basis over the term of the contract.

3.14 Foreign currency transactions

a) Functional and presentation currency

The Company's financial statements are presented in Euros, which is the Company's functional and presentation currency.

b) Transactions and balances

Transactions in foreign currencies are converted to the Company's functional currency by applying the exchange rates prevailing at the date of the transaction. Any profit/ loss resulting from the settlement of the above foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end are recognised in profit/ loss, except when deferred in equity as in the case of qualifying cash flow hedges and qualifying net investment hedges.

3.15 Environment

Expenses arising from corporate actions concerned with environmental protection and improvement are posted to profit/ loss in the financial year in which they are incurred.

Any costs incurred in additions to tangible fixed assets intended to minimise the Company's environmental impact and/ or the protection and improvement of the environment, these are recognised as investments in fixed assets.

4. Intangible fixed assets

Below is a breakdown of all movements recorded in the "Intangible fixed assets" heading:

	Euros						
	Balance at 31.12.16	**Additions**	**Retirements**	**Balance at 31.12.17**	**Additions**	**Retirements**	**Balance at 31.12.18**
Cost:							
Research	56,958	-	-	56,958	-	-	56,958
Development	1,339,770	360,812	-	1,700,582	482,866	-	2,183,448
Industrial property	5,188	890	-	6,078	5,300	-	11,378
IT applications	16,573	11,326	-	27,899	-	-	27,899
Total cost	**1,418,489**	**373,028**	**-**	**1,791,517**	**488,166**	**-**	**2,279,683**
Accumulated depreciation:							
Research	(34,175)	(11,392)	-	(45,567)	(11,392)	-	(56,958)
Development	(350,483)	(267,954)	-	(618,437)	(340,116)	-	(958,553)
Industrial property	(76)	(198)	-	(274)	(401)	-	(676)
IT applications	(5,648)	(3,222)	-	(8,870)	(4,651)	-	(13,521)
Total accumulated depreciation	**(390,383)**	**(282,766)**	**-**	**(673,148)**	**(356,560)**	**-**	**(1,029,708)**
Net carrying amount	**1,028,106**			**1,118,369**			**1,249,975**

a) Research and Development

Capitalised research and development costs at 31st December 2018 and 2017 are those corresponding to the following milestones:

Description: 2018 project	**Amount**
Improvements Software Development Kit (SDK) FACEPHI	482,866
Total	**482,866 Euros**
Description: 2017 project	**Amount**
Improvements Software Development Kit (SDK) FACEPHI	360,812
Total	**360,812 Euros**
Description: 2016 project	**Amount**
Improvements Software Development Kit (SDK) FACEPHI	307,736
Total	**307,736 Euros**
Description: 2015 project	**Amount**
Improvements Software Development Kit (SDK) FACEPHI	311,652
Total	**311,652 Euros**
Description: 2013 and 2014 project	**Amount**
Software Development Kit (SDK) FACEPHI	777,340
Total	**777,340**

Capitalised developments at 31st December 2018 and 2017 have consisted mainly of improvements to security features against fraud, interactive guides to assist users during registration and multiplatform applications technology integration tools. Following the tests and trials undergone, it is considered that these technologies are in working order and that their development has concluded.

The Company's Administrators consider that the research and development costs capitalised meet each and every one of the conditions established in section 3.1 a) of this report since the full amount corresponding to the Company's turnover as reflected in the profit/ loss account coincides with the returns obtained from the marketing of its only capitalised project.

b) Fully depreciated intangible fixed assets.

At 31st December 2018, there were fully depreciated intangible fixed assets amounting to 56,958 Euros corresponding to the Research heading. There were no fully depreciated intangible fixed assets at 31st December 2017.

c) Other information

On 31st December 2018, the Company recognised grants for capitalised R&D expenses in the amount of 113,945 Euros (208,994 Euros in 2017) (see note 10.2).

At 31st December 2018 and 2017, there were no firm commitments for investments or to sell any intangible fixed assets with any third parties.

No financial expenses were capitalised and there were no intangible fixed assets abroad. All intangible fixed assets were assigned to operations and were not affected by any restrictions or guarantee deposits. No reversals or corrections were made either to the carrying amounts of any intangible fixed assets due to impairment losses.

5. Tangible fixed assets

Below is a breakdown of all movements recorded in the Tangible fixed assets heading:

	Balance at 31/12/2016	Additions	Retirements	Balance at 31.12.17	Additions	Retirements	Balance at 31.12.18
Cost:							
Technical fittings and other fixed assets	44,793	15,230	-	60,023	15,196	-	75,219
Total cost	44,793	**15,230**	**-**	**60,023**	**15,196**	**-**	**75,219**
Accumulated depreciation:							
Technical fittings and other fixed assets	(17,307)	(7,065)	-	(24,372)	(9,528)	-	(33,900)
Total accumulated depreciation	(17,307)	(7,065)	**-**	**(24,372)**	**(9,528)**	**-**	**(33,900)**
Net carrying amount	**27,486**			**35,651**			**41,319**

a) Fully depreciated assets

At 31st December 2018, there were fully depreciated tangible fixed assets amounting to 10,355 Euros (6,930 Euros at 31st December 2017).

b) Insurance

The Company has taken out insurance policies to cover the risks that the different elements included within the tangible fixed assets heading are subject to. It is considered that the above policies provide sufficient cover.

c) Other information

No financial expenses have been capitalised, there were no tangible fixed assets abroad that were subject to any restrictions or affected by guarantee deposits. No reversals or corrections were made either to the carrying amounts of any tangible fixed assets due to impairment losses.

Likewise, at 31st December 2018 and 31st December 2017, there were no firm commitments for investments to purchase or sell any tangible fixed assets.

6. Leases and other transactions of similar nature

Below is a list of future minimum payments corresponding to non cancellable operating leases:

Future minimum payments	2018	2017
Under 1 year	46,698	46,089
Between 1 and 5 years	60,273	91,878
Over 5	---	---
Total	**106,972**	**137,967**

Following is a breakdown of the lease amounts charged to expenses in the financial year including the description of the most significant lease agreements:

			Agreement		
Lease description	**Expense in financial year 2018**	**Expense in financial year 2017**	**Expiry date**	**Replacement**	**Price review criteria**
Offices and parking spaces	37,181	31,700	01/10/2022	N/A	YES (CPI)
IT equipment	2,051	585	10/11/2019	N/A	NO
IT equipment	247	247	27/05/2019	N/A	NO
IT equipment	1,935	---	31/03/2019	N/A	NO
Transport elements	30,272	30,485	03/01/2022	N/A	NO
Total	**71,685**	**63,016**			

On 22nd January 2018, the Company entered into an IT operating lease agreement due to expire after a period of 12 months. Its monthly instalments net of VAT amounted to 194 Euros.

During financial year 2017, the Company entered into two separate vehicle operating lease agreements in favour of members to the Board of Directors that are still in force. Their monthly instalments amount to 1,256 Euros per vehicle, and they are due to expire on the 3rd January 2022. Since it is not expected that the Company's management will take advantage of the purchase option upon expiry, both agreements have been classed as operating leases.

Likewise, on the 1st October 2017 a new agreement was entered into by the Company to lease the office space from where its business is based for a further 5 year period and a monthly payment of 2,800 Euros including an early termination clause that requires a minimum of 2 months' notice in addition to the payment of 3 months' compensation. A total of 5,400 Euros was paid by the Company in concept of guarantee deposit.

7. Risk policies and management

The management of the financial risks by the Company is aimed at establishing the required procedures to control its exposure to different types of risks. These include market risks (including currency exchange rates, interest rates, and other pricing risks), credit and liquidity risks. Risk management is controlled by the Company's Board of Directors with the support of the management's control departments.

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as trade and debts such as other receivables and committed transactions. In regards to banks and financial institutions, the Company only operates with entities of renowned solvency and prestige.

Among the main Company debtors, none are affected by any specific credit risks in regards to the settlement of outstanding balances becoming due at the end of financial year due to their high credit rating.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and realisable assets and the availability of sufficient funding in the form of credit facilities to cover credit obligations and the capacity to settle market positions. Any liquidity risk is considered to be sufficiently mitigated thanks to the grant obtained as discussed in note 10.2.

Market risk

a. Interest rates risk

As the Company does not have a considerable amount of remunerated assets, income and cash flows from operating activities are not significantly affected by fluctuations in market interest rates.

The Company's interest rate risk arises from non current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to interest rate risk on the fair value.

At the end of financial year, the Administrators considered that the estimated risks arising from interest rate fluctuations are not significant in view of the debts currently maintained by the Company.

b. Foreign exchange rates risk

Since the Company operates internationally, some of its business is therefore exposed to foreign exchange risks. Foreign currency risk arises from future commercial transactions, as well as recognised assets and liabilities. In order to minimise this risk, the Company maintains an appropriate balance between foreign currency collections and payments.

c. Price risk

This type of risk does not affect the Company as it has no investments in listed companies.

Fair value assessment

It is assumed that the carrying amount of trade payables and receivables approximates their fair value. For financial reporting purposes, the fair value of financial liabilities is estimated by discounting future contractual cash flows at the current market interest rate which can be obtained by the Company for similar financial instruments.

8. Financial assets

8.1 Analysis by category

Below are the carrying values for each category of financial assets as established in the registration and valuation standards rule for "Financial instruments", except in the case of balances with Public Authorities (note 12):

	Euros			
	Credit, derivatives and other			
	Short term		Long term	
	2018	2017	2018	2017
Loans and receivables (Note 8.3)	3,723,258	2,038,026	488,749	8,400
TOTAL	**3,723,258**	**2,038,026**	**488,749**	**8,400**

In the case of financial assets and financial liabilities carried at cost or depreciated cost, there are no significant differences between their carrying amount and their fair value.

8.2 Analysis by maturity

At 31st December 2018 the carrying amounts of financial instruments on the assets side with fixed or determinable maturities classified by year of maturity were as follows:

	Financial assets					
	2019	2020	2021	2022	Subsequent years	Total
Other financial investments:						
Other financial assets (*)	3,723,258	---	480,349	8,400	---	4,212,007
	3,723,258	**---**	**480,349**	**8,400**	**---**	**4,212,007**

(*) Does not include balances with Public Authorities (note 12).

At 31st December 2017 the carrying amounts of financial instruments on the assets side with fixed or determinable maturities classified by year of maturity were as follows:

	Financial assets					
	2018	2019	2020	2021	Subsequent years	Total
Other financial investments:						
Other financial assets (*)	2,038,026	---	---	---	8,400	2,046,426
	2,038,026	**---**	**---**	**---**	**8,400**	**2,046,426**

(*) Does not include balances with Public Authorities (note 12).

8.3. Loans and receivables

	Euros 2018	Euros 2017
Non current loans and other receivables:		
Third party receivables (note 10.2)	---	253,890
Other financial assets	488,749	8,400
	488,749	**262,290**
Current loans and other receivables:		
Trade accounts receivables	3,579,106	2,084,573
Losses due to impairment in trade receivables	(61,445)	(61,445)
Advance payments to suppliers	4,760	4,760
Advance payments to staff	250	5,133
Other Public Authorities' payables (note 12.1)	281,248	699,975
Other financial assets	200,587	5,005
	4,004,506	**2,738,001**
	4,493,255	**3,000,291**

At 31st December 2017, the amount under the Non current third party receivables heading corresponded to the outstanding balance to be collected in relation to a grant received by the Company from the European Commission. As explained in note 10.2 regarding Grants. At 31st December 2018, the Company's management had transferred the full amount above to the “B. 6. Other Public Authorities receivables” heading in the assets side of the balance sheet (344,197 Euros in 2017) as a consequence of having to justify incurring eligible operational expenses. As of the date of preparation of these financial statements, a total of 169,260 Euros had been received, leaving an outstanding balance of 84,630 Euros.

The heading Advance payments to suppliers mainly corresponded to advance payments made in concept of commissions for services to be supplied.

Other financial assets

In financial years 2018 and 2017, the heading for “Other current financial assets” mainly represented a financial loan granted by the Company to a senior executive director (note 15).

Likewise, at 31st December 2018, the heading “Other non current financial assets” included guarantee deposits paid for the lease of office space, in addition to the sum of 480,349 Euros, corresponding to fixed term bank deposit made on 1st March 2018 in the amount of 550,000 US Dollars to pledge 500,000 US Dollars for a variable interest rate loan under agreement with the European Investment Fund for a limit of 1,000,000 Euros (see note 11.3.a). This fixed term deposit will expire in 3 years, with a nominal annual interest rate of 0.05%.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

Impairment of trade receivables

Below is a breakdown of all movements recorded in the Impairments provision heading:

	Euros 2018	Euros 2017
Opening balance	**61,445**	**13,250**
Provision for impairments in value of receivables	-	48,195
Reversal of unallocated amounts	-	-
Closing balance	**61,445**	**61,445**

During financial year 2017, there were losses due to bad debt amounting to 48,195 Euros. During financial year 2018, there were no losses due to bad debt.

Any corrections in value recognised due to impairment losses affecting trade receivables have been included under the "Loss, impairment and variations in trade provisions" heading in the profit/ loss account (Note 13.e.) These amounts charged to the impairment losses accounts are usually written off when there are no expectations to recover any further cash. In regards to the rest of accounts included within the "Loans and other receivables" heading, these have not been affected by any impairment losses.

9. Cash and cash equivalents

Following is a breakdown of the Cash and other cash equivalents heading as at 31st December 2018 and 2017:

	Euros	
	2018	**2017**
Cash in Euros	---	267
Cash in foreign currency	4,793	2,426
Bank, credit facilities and current accounts in Euros	196,982	160,242
Bank, credit facilities and current accounts in foreign currency (note 13.f)	185,801	44,401
Total	**387,576**	**207,336**

At 31st December 2018 and 2017, there were no restrictions affecting the availability of current account balances.

10. Share capital

A breakdown of the movements taking place in the different sections of the Company's Equity side during financial year ending 31st December 2018 and 2017 is provided in the attached statement of changes in equity.

10.1 Equity

a) Capital

At 31st December 2018 and 2017, the Company's share capital amounted to 531,083.32 Euros represented by 13,277,083 shares with a nominal value of 0.04 Euros each. These shares, numbered from 1 to 13,277,083, were fully subscribed and paid up and had identical voting and financial rights.

Below is a list of all members to the Board of Directors with holdings exceeding 10% of the Company's share capital either directly or indirectly:

	%	
	31/12/2018	**31.12.17**
Salvador Marti Varo	13.03	14.18
Javier Mira Miro	9.67	10.61
Juan Alfonso Ortiz Company	11.70	11.74

Since 1st July 2014, the Company has been listed in the Alternative Investment Market under the Expanding Companies segment (MAB-EE as per its Spanish acronym).

There are no transfer restrictions on shares.

b) Share premium

	Euros	
	31.12.2018	**31.12.2017**
Share premium	2,323,993	2,323,993
	2,323,993	**2,323,993**

This is a freely available reserve.

c) Own shares

At 31st December 2018, the Company held total treasury shares amounting to 150,723 Euros (134,672 Euros at 31st December 2017) corresponding to 172,729 shares (148,786 shares at the end of the previous financial year) representing 1.3% (1.12% in 2017) of the Company's share capital and, therefore, below the limit established by article 509 of the Corporations Act which sets out a 10% maximum limit.

Following approval by the General Shareholders' Meeting held on 2nd June 2014, the Company's Board of Directors agreed the purchase of a maximum of 200,000 treasury shares. Pursuant to the above agreement, a scheme for the purchase of treasury shares was launched on 17th June 2016 that will continue until the full amount of expected shares have been purchased. Currently, the Company has acquired a total of 172,729 shares. Below is a breakdown of all movements recorded in this heading during 2018:

	2017	Purchases	Sales	2018
Treasury shares cost	134,672	239,357	223,305	150,723

During financial year 2018, the Company has sold treasury shares for a net profit amounting to 10,639 Euros (22,148 Euros at 31st December 2017) that were posted to the “Voluntary Reserves” heading.

All shares issued have been fully paid up.

d) Stock options

During financial years 2018 and 2017, the Company did not issue any stock options.

e) Reserves and profit/ loss in previous financial years

Reserves

	Euros	
	2018	**2017**
Legal reserve	-	-
Voluntary reserve	464,975	454,336
Losses in previous financial years	(1,965,517)	(2,330,419)
	(1,500,542)	**(1,876,083)**

Legal reserve

No allocations were made by the Company to its legal reserve pursuant to Article 274 of the Spanish Corporations Act due to outstanding losses pending to be settled from previous financial years.

This reserve is not available for distribution and should it be used to offset losses in the event that no other reserves were available, it must be replenished with future profits.

Voluntary reserves

These are freely available reserves.

As stated in the attached Statement of Changes in Equity, during 2018 and previous financial years, the Company has used this heading to record expenses incurred following the increases in share capital undertaken in previous financial years as well as the returns obtained from the treasury share transactions (see note 10.c.) and the correction of errors (see note 2.f).

f) Allocation of profits for 2017 and proposed distribution of profits for the current financial year

Below is the proposed allocation of profits for the financial year ending 31st December 2018 that is pending approval by the Annual General Shareholders' Meeting:

Allocation basis	**2018**	**2017**
Financial year profits before Corp. Tax	1,167,475	364,902
Allocation		
Offset to losses in previous financial years	1,167,475	364,902

Below is the allocation of profits for financial year ended 31st December 2017 as approved by the Annual General Shareholders' Meeting held on 6th June 2018:

Dividend allocation restrictions

The Company is required to allocate 10% of its financial year's profit towards a legal reserve until it reaches at least 20% of its share capital. While this reserve remains below 20% of the share capital, it may not be distributed to shareholders.

After the reserves stipulated by law or in the Company's Articles of Association have been covered, dividends may only be distributed with a charge to profit/ loss for the year, or to unrestricted reserves, if the equity value is not, nor will be as a result of the distribution, lower than the share capital. To this end, the profits attributed directly to equity may not be subject to either direct or indirect distribution. If there were losses from previous years which bring the value of the Company's equity to below the share capital figure, profits shall be used to offset those losses.

10.2. Grants

Below is a breakdown of the amounts and descriptions included in the balance sheet at 31st December 2018 and 2017 under the "Grants, donations and legacies" heading, including any movements taking place in the current and previous financial year:

Financial year ending 31 December 2018

Body	**Public Authority**	**Year**	**Amount Granted**	**Balance pending to be repaid at 31.12.17**	**Additions (Removals)**	**Transferred to 2018 profit/ loss**	**Tax effects**	**Balance pending to be repaid at 31/12/2018**
Valencian Institute of Business Competitiveness (IVACE, as per its Spanish acronym)	Regional	2017	11,336	8,502	---	(11,336)	2,834	---
Europe (H2020)	European	2017	1,692,600	164,637	113,945	(44,274)	(17,418)	216,890
			1,703,936	**173,139**	**113,945**	**(55,610)**	**(14,584)**	**216,890**

Financial year ending 31 December 2017

Body	Public Authority	Year	Amount Granted	Balance pending to be repaid at 31/12/2016	Additions (Removals)	Transferred to 2018 profit/ loss	Tax effects	Balance pending to be repaid at 31.12.17
Valencian Institute of Business Competitiveness (IVACE, as per its Spanish acronym)	Regional	2017	11,336	8,502	---	---	---	8,502
Europe (H2020)	European	2017	1,692,600	9,284	208,994	(1,857)	(51,784)	164,637
			1,703,936	**17,786**	**208,994**	**(1,857)**	**(51,784)**	**173,139**

H2020 is Europe's flagship funding scheme for research and innovation projects. Between 2014 and 2020, it had a total budget of approximately 80,000 million Euros. The SME instruments scheme was specifically designed to promote highly innovative SME's with a great ambition for growth and international projection in order to help them achieve market success.

At the end of financial year 2016, the Company joined the European Commission scheme in order to receive funding towards their operational development expenses in the following 24 months during the implementation of the FACCES project for the use of facial recognition in banking security.

This scheme stated that the amount granted would not exceed 1,692,600 Euros, corresponding to 70% of the total costs for operational development amounting to 2,418,000 Euros

as per the following withdrawal schedule:

- An initial amount of 846,300 Euros with a deduction in the sum of 84,630 Euros as a guarantee deposit.

- Intermediate payments to refund eligible expenses incurred during the project's implementation that must be justified through the submission of annual reports and up to a limit of 90% of the total amount granted (after deducting the initial payment made).

- Upon completion of the project.

In these regards, at 31st December 2018 there was a balance of 253,890 Euros pending to be received. However, at the date of preparation of these financial statements, the outstanding balance only amounted to 84,630 Euros.

In conformity with the criteria described in note 3.8, the Company's management decided to recognise an asset and a liability at the end of financial year 2016 for the total amount of the grant, since it was estimated that the eligible costs would exceed the total agreement costs and for that reason, the full grant amount should be received. A reduction was made to this heading on the assets side for the initial amount received. Subsequently, the management calculated the costs incurred during financial year 2016, as well as an estimation of the costs to be incurred during financial years 2017 and 2018 with the purpose of recording the current and non current intermediate payments to be received following the justification of said costs in the annual reports to be submitted. This reclassification is also connected with the reclassification of the liabilities, since it was considered that these will not be refundable at the time when the reports stating the eligible costs are submitted

Part of the costs incurred in relation to the eligible project correspond to R&D costs that shall be capitalised as intangible fixed assets and posted to profit/ loss as these are depreciated. While on the other hand, we also have operating expenses, so the grant covers both capital and operating expenses. For that reason, at 31st December 2018 the Company recognised a capital grant and eligible expenses in the amounts of 113,945 Euros and 546,485 Euros (note 13.c), that were posted to equity and the profit/ loss account respectively (208,994 Euros and 802,010 Euros at 31st December 2017).

Following is a classification of assets and liabilities at 31st December 2018 and 2017:

Assets

Date	Received	Pending collection		Total
		Current	Non current	
31/12/2018	1,438,710	253,890	---	1,692,600
31.12.17	761,670	677,040	253,890	1,692,600

Liabilities

Date	Refundable grant		Capital grant		Eligible expenses		Total
	Current	Non current	Financial Year	Previous financial years	Financial Year	Previous financial years	
31/12/2018	---	---	113,945	221,372	546,485	810,798	1,692,600
31.12.17	660,430	---	208,994	12,378	802,010	8,788	1,692,600

11. Financial liabilities

11.1 Analysis by category

Below are the carrying amounts for each category of financial instruments as established by the registration and valuation standards rule for "Financial instruments", except balances with Public Authorities (note 12):

	Euros			
	Non current financial liabilities			
	Debt with financial institutions		Derivatives and other	
	2018	2017	2018	2017
Loans and payables (Note 11.3)	591,693	225,013	5,839	35,014
TOTAL	**591,693**	**225,013**	**5,839**	**35,014**

	Euros			
	Current financial liabilities			
	Debt with financial institutions		Derivatives and other	
	2018	2017	2018	2017
Loans and payables (Note 11.3)	1,893,335	1,325,694	818,743	982,496
TOTAL	**1,893,335**	**1,325,694**	**818,743**	**982,496**

Since the effect of discounts is neither significant nor material, both the current and non current payables' carrying amounts are very similar to their fair value. The carrying amounts of all Company debts is denominated in Euros.

11.2 Analysis by maturity

At 31st December 2018, the carrying amounts of financial instruments on the liabilities side with fixed or determinable maturities classified by year of maturity were as follows:

	Financial liabilities					
	2019	2020	2021	2022	Subsequent years	Total
Financial institutions payables	1,893,335	466,890	124,804	---	---	2,485,029
Other financial liabilities (*)	818,643	5,835	---	---	---	824,478
	2,711,978	**472,725**	**124,804**	**---**	**---**	**3,309,507**

(*) Does not include balances with Public Authorities.

At 31st December 2017, the carrying amounts of financial instruments with fixed or determinable maturities classified by year of maturity were as follows:

	Financial liabilities					
	2018	2019	2020	2021	Subsequent years	Total
Financial institutions payables	1,325,694	163,082	61,931	---	---	1,550,707
Other financial liabilities (*)	982,496	29,179	5,835	---	---	1,017,510
	2,308,190	**192,261**	**67,766**	**---**	**---**	**2,568,217**

(*) Does not include balances with Public Authorities.

11.3. Debts and other payables

	2018	2017
Non current debt:	**597,533**	**260,028**
Financial institutions payables	591,693	225,013
Other financial liabilities	5,839	35,014
Current debt:	**1,914,256**	**2,000,610**
Financial institutions payables	1,893,335	1,325,694
Other financial liabilities	20,921	674,916
Trade and other payables	**1,047,400**	**396,141**
Current suppliers	251	(415)
Other payables	776,227	307,995
Staff (outstanding salaries)	21,244	---
Other Public Authorities' payables (Note 12.1)	249,678	88,561
Debts and other payables	**3,559,189**	**2,656,779**

a) Debt with financial institutions

Below is a breakdown of the most significant terms and conditions for any financial loans and credit facilities in force at 31st December 2018 and 2017:

Type of transaction	Maturity	Limit	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Loan	20/10/2019	100,000	29,073	---	33,474	29,073
Loan (1)	28/02/2019	60,000	3,648	---	21,081	3,648
Loan	31/10/2019	45,000	13,083	---	16,327	13,083
Loan	31/05/2020	200,000	69,107	29,139	70,961	97,246
Loan (1)	30/06/2020	100,000	34,254	19,652	34,516	52,603
Loan	31/12/2018	846,300	165,477	---	846,300	---
Loan	19/01/2018	75,000	---	---	25,000	---
Loan	30/11/2020	45,000	15,042	14,319	15,639	29,361
Loan (2)	06/03/2021	1,000,000	332,234	421,572	---	---
Loan	19/01/2019	110,000	36,667	---	---	---
Loan	31/07/2021	200,000	65,905	107,011	---	---
Credit loan	15/02/2018	100,000	---	---	99,868	---
Credit loan	28/05/2019	100,000	97,978	---	99,377	---
Credit loan	15/03/2018	50,000	---	---	49,366	---
		Total	**862,467**	**591,693**	**1,311,909**	**225,013**

(1) Loans guaranteed by a member to the Board of Directors.

(2) Loan guaranteed by an agreement with the European Investment Fund. Pledged with a fixed term bank deposit for 500,000 US Dollars (see note 7).

Interest rates for debt with financial institutions is Euribor plus a market spread. At 31st December 2018, the Company had recognised the sum of 563 Euros in concept of interests accrued that were pending to be settled (same amount at 31st December 2017).

All payments pending to be received in relation to the H2020 scheme grant and, more particularly, in relation to FACCESS Grant Agreement no. 733711 were pledged to guarantee the repayment of the Company's debt with Bankia S.A. amounting to 846,300 Euros. There were currently no debt agreements linked to security rights or mortgaged assets. Due to the Company not having received the full amount corresponding to the grant at 31st December 2018, the above loan had expired and was pending to be settled for the sum of 165,477 Euros. However, this debt was cancelled on 11th January 2019 following the negotiation of a new loan in the amount of 169,260 Euros expiring on 11th July 2019, where the collection of the grant payments was again pledged to the lender.

The Company's management have considered that the Company shall be able to duly comply with all its contractual obligations arising from its current loans at the end of financial year. During the financial year there have been no contractual breaches or delays that may result in the lender's right to claim prepayment for the loans agreed.

b) Credit facilities and invoice discounting

Following is a list of credit facilities and the amounts available to the Company:

	Euros					
	Withdrawn		Limit		Available	
	2018	2017	2018	2017	2018	2017
Credit facilities	97,978	248,611	100,000	250,000	2,022	1,389
Invoice discounting	1,015,141	---	1,092,576	---	77,435	---
Credit cards	15,164	13,223	57,241	57,100	42,077	43,877
	1,128,283	**261,834**	**1,249,817**	**307,100**	**121,534**	**45,266**

At 31st December 2018, the average interest rate of non current debt with financial institutions was 1.82% (4.63% in the previous financial year).

c) Other current and non current financial liabilities

Below is a breakdown of the most significant transactions that were in force at the end of financial year:

Type of transaction	Maturity	Limit	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Refundable advance payment H20H20	---	1,692,000	---	---	660,430	---
Profit participation loan (IVF Bank)	15.03.2020	116,700	23,340	5,835	23,340	35,010
Other	---	---	(2,419)	4	(8,854)	4
		Total	**20,921**	**5,839**	**674,916**	**35,014**

At year end on 31st December 2017, the Company had recorded a sum considered as refundable from the H2020 grant (see Note 10.2).

At the end of financial year 2017, the sum granted in relation to the H2020 grant that was considered as refundable and pending justification amounted to 660,430 Euros and was recorded as a current payable.

In addition to this, this heading included a profit participation loan granted on 15th June 2013 by the Valencian Finance Institute (IVF as per its Spanish acronym) for the initial amount of 116,700 Euros, to be repaid over a period of 7 years, including a 2 year grace period. This loan accrues interest consisting of a fixed Euribor 3 months rate + 3.5% and a variable component. This variable component is accrued annually according to an annual interest rate based on a % of the Company's total annual profit before tax calculated on the basis of the Company's average equity. This figure is then deducted from the fixed percentage rates to obtain the resulting rate that cannot exceed 8% or be lower than 0.

d) Other payables

This heading includes payables related to the Company's normal business.

e) Information regarding average suppliers' payment period. Information regarding average suppliers' payment period. Third additional disposition. «Reporting obligation» established by Act 15/ 2010 passed on 5th July.

For the purposes established in article 6 of the Resolution issued by ICAC (Institute of Accounting and Accounts Auditing) on 29th January 2017 in regards to the type of information to be included in the annual report concerning the average payment period to suppliers in commercial transactions. "Reporting obligation" established by Act 15/ 2010 passed on 5th July amending Act 3/ 2004, passed on 29th December on combating late payment in trade transactions, below is the above mentioned information for financial years ending 31st December 2018 and 2017:

Concept	2018	2017
	Days	Days
Average suppliers' payment period	31	36
Paid transactions ratio	27	41
Outstanding transactions ratio	62	8
	Euros	
Total payments made	1,779,703	1,427,767
Total payments outstanding	229,377	307,580

For these exclusive purposes, the concept of trade payables comprises all suppliers and other payables arising from the supply of goods or services that are included within the scope of the legal payment period regulation. Net purchases and external services' expenses therefore comprises all amounts recorded as such in conformity with the General Accounting Plan.

12. Public Authorities and tax status

12.1 Public Authorities' current balances

Following is a list of all Public Authorities' payable balances at 31st December 2018 and 2017:

	Euros			
	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Third party payables (notes 8.3 and 10.2)	**---**		**253,890**	
Deferred tax assets (note 12.4)	**420,368**		**---**	
Tax receivables:				
•VAT	27,330		11,572	
•Tax withholdings and prepayments.	28		28	
Amounts receivable in concept of grants:	253,890		688,376	
Other Public Authorities' receivables	**281,248**		**699,675**	
Deferred tax assets (note 12.4)		**72,297**		**57,713**
Social security payables		17,564		11,512
Tax payables:				
•VAT		122,267		---
•Income tax retentions		109,847		77,049
Other Public Authorities' payables		**249,678**		**88,561**

Taxes receivable in concept of grants received in financial year 2018 mainly included the sum that the Company expects to receive in the short term in relation to the European H2020 scheme grant described in note 10.2.

12.2 Financial years open to inspection and inspection actions

In accordance with current regulations, tax returns are not considered definitively settled until they are inspected by tax authorities, or until their statute of limitations has expired four years after being submitted. At 31st December 2018, the Company has all applicable main tax declarations submitted since 31st December 2014 open for inspection by the tax authorities.

The Company's management considers that they have adequately submitted all applicable tax declarations. However, in the event of an inspection, this may lead to differences in the management's interpretation of current tax regulations regarding the tax treatment of specific transactions and, therefore, may result in additional tax liabilities. Should these tax liabilities materialise, the Management expects that these shall not significantly affect the Company's financial statements.

12.3 Reconciliation between accounting profit/ loss and current income tax expense

Corporation tax for this financial year is calculated on the basis of accounting or financial profit determined by the application of generally accepted accounting principles, which do not necessarily coincide with taxable profit.

The reconciliation of accounting profit/ loss and the taxable base for corporate tax is as follows:

	Euros			
	Increase	Decrease	2018	2017
Net profit for the year. (loss)			**852,559**	**473,112**
Corporation tax				
Permanent differences:				
•Other non claimable expenses	6,251	---	6,251	112
Previous taxable base			**858,810**	**473,224**
Compensation of tax losses			(858,810)	(473,224)
Taxable profits			**---**	**---**
Taxable Base rate (25%)			---	---
Amounts to be paid/ refunded			---	---
Tax withholdings and prepayments			---	---
Amounts to be refunded			**---**	**---**

At the end of financial years 2018 and 2017, these permanent differences correspond to non claimable expenses arising from non tax claimable fines and surcharges.

Following is a breakdown of the calculation of Corporation tax expense /(income):

	Euros	
	2018	2017
Current tax expense/ (income)	**---**	**---**
Withheld tax expense/ (income)	105,452	43,016
Recognition of property, plant and equipment and deductions	(420,368)	(53,112)
Reversal of deferred tax assets	---	118,306
Deferred tax expense/ (income)	**(314,916)**	**108,210**
Total Corporations tax expense/ (income)	**(314,916)**	**108,210**

12.4. Deferred tax assets and liabilities

According to the principle of prudence, deferred tax assets corresponding to deductible temporary differences, unused tax losses from previous financial years and unused tax credits are only recognised to the extent that it is probable that taxable profits will be available in the future against which those may be applied.

Below is a breakdown of the Company's outstanding recognised tax losses from previous financial years that are pending to be offset:

	Euros		
	Opening balance	**Applied in financial year**	**Closing balance**
Outstanding tax losses from financial year 2014	1,144,863	(858,810)	286,053
Outstanding tax losses from financial year 2015	708,881	---	708,881
Outstanding tax losses from financial year 2017	67,653	---	67,653
Balance at 31st December 2018	**1,921,397**	**(858,810)**	**1,062,586**

At 31st December 2017, despite the expectations for future profits in the following financial years and according to the principle of prudence, the Company did not record any tax credits for tax losses except for the sum of 53,112 Euros. These tax credits, in addition to the tax credits for tax losses corresponding to financial years 2012 and 2016 amounting to 65,194 Euros, were fully settled against the taxable profits achieved in financial year 2017 in conformity with the tax forecast described in section 12.3 herein.

On the other hand, on 31st December 2018, and based upon the returns obtained in the current financial year and the forecasts for future financial years, the Company has recognised the sum of 265,647 Euros in concept of tax credit for tax losses.

In these same regards, the Company has also recognised the sum of 154,721 Euros in concept of outstanding international double taxation deductions (Taxpayer borne tax, article 31 of the Corporation Tax Act).

In conformity with the criteria described in note 2.c, the effects of these changes in the estimation criteria regarding the achievement of future taxable profits has been posted in a prospective manner to the profit/ loss account under the deferred tax income heading in the amount of 420,368 Euros.

Below is a breakdown of all outstanding deductions based on the Corporations Tax declarations submitted at 31st December 2018 and 2017:

Arising from year	2018	2017
2015	3,309	3,309
2016	2,944	2,944
2017	43,016	43,016
2018(*)	105,452	---
Total	**154,721**	**49,269**

(*)2018 Corporation tax estimation

Below is the breakdown of the deferred tax heading:

	Euros	
	2018	**2017**
Deferred tax assets:		
- Tax credits arising from property, plant and equipment to be offset	265,647	---
- Tax credits arising from deductions	154,721	---
Deferred tax liabilities:		
- Temporary differences	(72,297)	(57,713)
Net deferred tax balance	**348,071**	**(57,713)**

Below is the breakdown of the deferred tax gross amounts:

	Euros	
	2018	
	Deferred tax assets	**Deferred tax liabilities**
At 31st December 2017	**---**	**(57,713)**
Changed/ (added) to equity	---	(28,486)
Changed/ (added) to profit/ loss	420,368	13,903
At 31st December 2018	**420,368**	**(72,297)**

At 31st December 2017, the Company had applied all recognised tax credits to date:

	Euros	
	2017	
	Deferred tax assets	Deferred tax liabilities
At 31st December 2016	**65,194**	**(5,929)**
Changed/ (added) to equity	-	(52,248)
Changed/ (added) to profit/ loss	(65,194)	464
At 31st December 2017	**---**	(57,713)

13. Income and expenses

a) Net Revenue

Following is a breakdown of the Company's net revenue from its regular business by geographical area:

	%	%
Markets	**2018**	**2017**
Spain	14.70	0.47
Other EU countries	---	-
Other countries	85.30	99.53
	100	**100**

Following is a breakdown of the Company's net revenue from its regular business by line of business:

	%	%
Line of business	**2018**	**2017**
Services provided	100	100
	100	**100**

At 31st December 2018, the Company had recorded the amount of 372,236 Euros corresponding to the estimated income from support and maintenance services to be accrued in the following financial year (305,279 at 31 December 2017) under the "Short term accruals" heading in the liabilities side of the attached balance sheet.

b) Work undertaken by the Company on its own assets.

	Euros	
	2018	2017
Work undertaken by the Company on its own assets	482,866	360,812
	482,866	**360,812**

In the previous financial years, the Company has been developing the SDK FacePhi product which has resulted in the capitalisation of certain intangible fixed assets in the amounts shown in the table above. See note 4.

c) Operating subsidies incorporated to profit/ loss

On 31st December 2018, and in accordance with the criteria described in note 3.8, the Company's management posted the sum of 620,376 Euros (826,058 Euros on 31st December 2017), corresponding to justified eligible expenses under the H2020 grant amounting to 590,759 Euros (546,485 Euros as operating expenses and 44,274 Euros assigned to capital grants) and under the Valencian Institute of Business Competitiveness grant (IVACE, as per its Spanish acronym) amounting to 29,617 Euros (22,191 Euros at 31st December 2017) of which 11,336 Euros were transferred from the "A-3) Grants" heading at 31st December 2017.

d) Staff expenses

	Euros	
	2018	**2017**
Salaries, remunerations and similar expenses	1,552,343	1,109,179
Social security payable by the Company	163,731	121,357
Other social contributions	41	6,100
	1,716,115	**1,236,636**

At 31st December 2018, the heading "Salaries, remunerations and similar expenses" included the sum of 10,286 Euros paid in concept of redundancy compensations (2,500 Euros in 2017).

Following is a table showing the average amount of staff employed by the Company during the current financial year classified by categories:

	2018	**2017**
Senior Executives	2	2
Technical, scientific and intellectual professionals and/ or support staff	13	10
Administration	5	5
Sales and similar	3	3
Total average staff	**23**	**20**

Likewise, following is a table showing the average amount of staff at the end of the current financial year classified by gender:

	2018			**2017**		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Board Members	2	-	2	2	-	2
Technical, scientific and intellectual professionals and/ or support staff	12	1	13	10	-	10
Administration	2	3	5	2	3	5
Sales and similar	3	-	3	3	-	3
Total staff at the end of financial year	**19**	**4**	**23**	**17**	**3**	**20**

No staff with disabilities were employed by the company during financial years ending 31st December 2018 or 2017.

e) Other operating expenses

Following is a breakdown of Other operating expenses by year:

	Euros	
	2018	2017
External services:		
Leases and licensing fees	71,685	63,016
Repairs and maintenance	6,300	6,412
External consulting services	1,467,394	823,681
Insurance premiums	18,482	7,375
Bank charges and similar	38,007	44,035
Publicity, advertising and public relations	387,888	388,988
Supplies	32,847	31,126
Other services	461,784	373,954
Taxes:		
Other taxes	1,804	233
Loss, impairment and variations in trade provisions Bad debt	---	48,195
Other operating expenses	**2,486,192**	**1,787,016**

Under the heading "External consulting services" were included expenses paid for consultant services between 2018 and 2017 as well as in relation to the Alternative Investment Market (AIM).

f) Foreign currency: Exchange differences

There were assets expressed in foreign currencies amounting to 3,438,404 Euros (2,060,879 Euros in 2017). Below is a breakdown of the most significant elements:

		Euros	
Element	**Currency**	**2018**	**2017**
Trade receivables (foreign currencies)	USD	2,767,461	2,014,052
Cash (current account in foreign currency)	USD	185,801	44,401
Cash (in foreign currency)	USD	4,793	2,426
Fixed term deposits (in foreign currency)	USD	480,349	---
	Total		**379,197**

Below is a breakdown of the total liabilities expressed in foreign currencies amounting to 1,585,105 Euros (232,512 Euros in 2017):

		Euros	
Element	**Currency**	**2018**	**2017**
Suppliers (in foreign currency)	USD	569,964	232,512
Advance payments (in foreign currency)	USD	1,015,141	---
	Total	**1,585,105**	**232,512**

Below is a list of the main transactions involving foreign currencies other than the Euro:

		Euros	
Transaction (Expense)/ Income	**Currency**	**2018**	**2017**
Sales	USD	4,480,826	2,756,317
Services received	USD	(1,286,143)	(523,868)

Below are the sums corresponding to exchange differences recognised in profit/ loss account with a separate section for those arising from transactions settled during the period and those that remained outstanding at 31st December 2018 and 2017:

Financial instrument	Currency	Exchange differences 2018	Exchange differences 2017
Negative cash differences	USD	5,815	19,274
Negative customer payments differences	USD	56,615	37,113
Positive customer payments differences	USD	(48,150)	(48,150)
Negative supplier payments differences	USD	13,480	13,480
Positive supplier payments differences	USD	(10,042)	(10,042)
Total for transactions settled during financial year		**17,718**	**38,751**

Financial instrument	Currency	Exchange differences 2018	Exchange differences 2017
Negative customer balances differences	USD		25,079
Positive customer balances differences	USD	(22,716)	---
Negative advance payments balances differences	USD	10,447	---
Positive payable balances differences	USD		(3,059)
Total outstanding transactions		**(12,269)**	**22,020**
Total exchange differences applied to financial year		**5,449**	**60,770**

14. Board of Directors' members and Senior Management remunerations

In conformity with the Appointments and Remunerations Committee's proposal dated 24th April 2018, the remunerations for the Governing Body and the Board of Directors for financial year 2018 were finally approved by the Annual General Shareholder's meeting held on 6th June 2018 according to the following amounts and concepts:

- Senior management salary remunerations: an overall amount of 720,000 Euros. In addition to the above amount, a 5% sum in addition to the gross amount to be paid in the event of exceeding one million Euros in turnover and an extraordinary bonus of 125,000 Euros in the event of exceeding 3.5 million Euros in turnover.
- In concept of Board of Directors remunerations, the sum of 200,000 Euros for expenses and 50,000 Euros to compensate members to the Audits Committee and the Remunerations Committee.

In conformity with the above agreement, the remunerations accrued at 31st December 2018 were as follows:

a) Board of Directors' member remunerations and loans

Gross amounts received in financial year 2018 until 31st December in concept of salaries and remunerations for Board of Directors' members amounted to 200,000 Euros, with 80,000 Euros corresponding to the Senior Management (186,777 Euros, with 66,666 Euros corresponding to the Senior Management in the previous financial year).

Likewise, Board of Directors' members have received further compensations corresponding to the vehicles purchased by the Company through operating lease agreements (see note 5).

b) Senior Management remunerations and loans

Total remunerations accrued until 31st December 2018 amounted to 800,000 Euros, with 720,000 Euros corresponding to salaries and remunerations and 80,000 corresponding to expenses payable to the Board of Directors.

On 18th December 2018, the Senior Executives have notified the Board regarding their decision to turn down their variable remuneration payments. On 19th December 2018, the Appointments and Remunerations Committee had acknowledged their refusal.

Total remunerations accrued until 31st December 2017 amounted to 567,087 Euros, with 500,421 Euros corresponding to salaries and remunerations and 66,666 Euros corresponding to expenses payable to the Board of Directors.

c) Conflicts of interest involving the Administrators

During the current financial year, and in conformity with their duty to avoid any conflict of interests thin the Company, the Administrators who have held positions in the Board of Directors have complied with their obligations pursuant to article 228 of the consolidated Text of the Corporations Act. Likewise, both themselves as well as their related parties have avoided incurring in any of the cases of conflict of interest set out in article 229 of the above Act, except by prior authorisation, none of which were granted in the current financial year.

15. Other related parties' transactions

a) Balances with related parties at year end

There are no pension or insurance premiums obligations undertaken with regards to current or former members to the Board of Directors.

No advance payments or loans were granted to any members of the Administration Body as a whole.

During financial year 2018, the Company had granted a refundable advance payment to one of the Senior Executives and member to the Board of Directors in the amount of 195,680 Euros (5,133 Euros at 31st December 2017) (see note 7). As reported by the Administration Body, this sum is estimated to be repaid in a period not exceeding six months after year end.

16. Environmental information

The Company did not possess any significant assets included in its tangible fixed assets aimed at minimising its environmental impact nor for the protection of the environment and it had not incurred any significant costs for the purposes of protection and improvement of the environment during the current financial year.

To date, the Company was not aware of any contingencies in connection with the protection and improvement of the environment nor regarding their possible impact in its profit/ loss and equity.

No grants of an environmental nature were received.

17. Provisions and contingencies

The Company benefited from two deposits borrowed from a member to the Board of Directors in the amount of 58,662 Euros (60,000 Euros in 2017) to guarantee the payment of several loans taken out with a financial entity.

18. Other information

a) Auditor's fees

On 15th June 2017, the Annual General Shareholders' meeting agreed to appoint Auren Auditores SP S.L.P. as external auditors to audit the Company's financial statements for financial years ending 31st December 2017, 2018 and 2019.

Estimated fees to be paid during financial year 2018 to Auren Auditores SP, S.L.P. in concept of account auditing services amounted to 19,000 Euros (18,000 Euros in 2017). On the other hand, on 30th June 2018, the sum of 7,550 Euros in concept of limited review of Intermediate Financial Statements to date (10,000 Euros at 30th June 2017) had accrued.

Likewise, at 31st December 2018 no fees payable to other companies related to the firm Auren had been accrued in concept of tax consultancy services, special reports, verification and other services.

b) Off balance sheet arrangements

There were no arrangements nor contractual agreements not included in the balance sheet and concerning which there was no information included on a separate note to the management's report, including their potential financial impact, provided that this information was significant and helpful to establish the Company's financial position.

19. Post balance sheet events

There were no major events for the Company taking place after the end of financial year.

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