Alicante, November 8th, 2022

COMMUNICATION – MARKET NOTICE - FACEPHI BIOMETRIA, S.A.

Dear Sirs,

Pursuant to Article 17 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation), and section 4.2.1 of Euronext Growth Markets Rule Book Part I: Harmonised Rules, on ongoing obligations of companies listed on Euronext, (hereinafter "FacePhi" or "the Company") hereby notifies the following:

- Limited review on interim consolidated financial statements as of June 30th, 2022
- Interim consolidated financial statements as of June 30th, 2022
- Interim standalone financial statements as of June 30th, 2022

We remain at your disposal for any clarification you might deem necessary.

Sincerely,

Javier Mira Miró
Chairman of the Board of Directors

FACEPHI BIOMETRÍA, S.A.
and subsidiaries companies

Limited review report, interim consolidated financial statements for the six-month period ended June 30, 2022.

This version of our limited review report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation or information, views opinions, the original language version of our report takes precedence over this translation.

REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

To the shareholders of **FacePhi Biometría, S.A.**
by engagement of Board of Directors

Introduction

We have reviewed the accompanying interim consolidated financial information of FacePhi Biometría, S.A. (the parent Company) and subsidiaries companies (the Group), which comprise balance sheet of June 30, 2022, and the related statements of income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with the financial reporting framework applicable in Spain (as identified in note 2 of the notes to the interim consolidated financial information), and with the accounting principles and criteria included therein. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion about accompanying interim consolidated financial information.

Conclusion

Based on our limited review, which at no case can be understood as an audit of accounts, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information does not give a true and fair view of the financial position of the Group as at June 30, 2022, and of its consolidated results of its operations and its consolidated cash flows for the six-month period then ended, in accordance with, in all material respects, the applicable financial reporting framework, and, in particular, with the accounting principles and criteria included therein.

Other Information

This report has been prepared at the request of the FacePhi Biometría, S.A. Board of Directors, in connection with the publication of the financial report referred to the six month period ended as June 30, 2022, and the corresponding limited review report of the interim consolidated financial information required by Circular 3/2020 of Bolsas y Mercados Españoles Sistemas de Negociación, S.A. (BME Growth) to be provided by companies admitted to trading in the BME Growth segment of BME MTF Equity.

AUREN AUDITORES SP, S.L.P.

Cristina Herráiz Linares

October 27, 2022

FACEPHI BIOMETRÍA, S.A. and subsidiary offices

The Board of Directors of Facephi Biometría, S.A., on October 27th, 2022, and in compliance with the requirements established in BME Growth CIRCULAR 3/2020, the Spanish Companies Act and the Spanish Commercial Code, has drawn up the attached consolidated interim financial statements of Facephi Biometría, S.A. and subsidiaries for the six-month period ended 30 June 2022, comprising 62 pages numbered 1 to 62.

Likewise, the Board of Directors authorises Mr. Juan Alfonso Ortiz Company as secretary to sign all pages of the aforementioned documents.

SIGNATURES

Javier Mira Miró
Chairman - Chief Executive Officer

David J. Devesa Rodríguez
Vice Secretary - Board Member

Juan Alfonso Ortiz Company
Secretary – Board Member

Pablo Reig Boronat
Independent Board Member

FACEPHI BIOMETRÍA, S.A. and subsidiary offices

Consolidated interim financial statements for the six-month period ended on June 30th, 2022

Table of contents of the interim consolidated financial statements and explanatory notes

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Consolidated Balance sheet
June 30th, 2022
(In Euros)

ASSETS	NOTES TO THE FINANCIAL STATEMENTS	30/6/2022	31/12/2021
A) NON-CURRENT ASSETS		**9.611.969**	**7.879.395**
I. Intangible fixed assets	4	**6.405.344**	**5.095.032**
5. Other intangible fixed assets		6.405.344	5.095.032
II. Property, plant and equipment	5	**558.293**	**422.064**
2. Tecnical instalations and other tangible fixed asests		558.293	422.064
3. On-going tangible fixed assets and prepayments		23.010	-
IV. Long-term investments in group companies and associates		**188**	**188**
3. Other financial assets		188	188
V. Long-term financial investments	7	**157.508**	**244.187**
VI. Deferred tax assets	10	**1.133.612**	**1.093.506**
VII. Non-current trade payables	7	**1.357.024**	**1.024.419**
B) CURRENT ASSETS		**12.961.578**	**10.475.796**
III. Trade payables and other accounts receivable	7	**8.161.349**	**8.436.474**
1. Customers from sales and provision of services		7.732.047	8.009.323
3. Current tax assets	10	(733)	-
4. Other debtors		430.035	427.151
V. Short-term financial investments	7	**42.211**	**44.207**
VI. Short-term accruals		**502.492**	**297.787**
VII. Cash and other equivalent liquid assets	7	**4.255.527**	**1.697.327**
TOTAL ASSETS		**22.573.546**	**18.355.191**

EQUITY AND LIABILITIES	NOTES TO THE FINANCIAL STATEMENTS	30/6/2022	31/12/2021
A) EQUITY		**10.234.735**	**8.706.650**
A-1) Shareholders' equity	8.1	**10.153.479**	**852.504**
I. Capital stock		**644.690**	**605.373**
1. Issued capital		644.690	605.373
II. Share premium		**12.834.136**	**10.074.525**
III. Reserves		**1.681.750**	**(986.979)**
Other reserves		1.681.750	(986.979)
IV. (Treasury stock and shares)		**(574.801)**	**556.510**
VI. Result attributed to the parent company		**(1.068.797)**	**553.904**
A-2) Adjustments for changes in valuation	8.2	**(7.404)**	**3.335**
II. Conversion difference		(7.404)	3.335
A-3) Grants, donations and legacies received	8.3	**88.661**	**127.480**
B) NON-CURRENT LIABILITIES		**4.455.113**	**5.150.405**
I. Long-term provisions		**76.231**	**66.660**
II. Long-term debts	9	**4.349.329**	**5.041.251**
2. Debt with financial institutions		4.349.329	5.041.251
IV. Deferred Tax Liabilities	10	**29.553**	**42.493**
C) CURRENT LIABILITIES		**7.883.697**	**4.498.137**
III. Short-term debts	9	**4.228.784**	**1.393.875**
2. Current debt with financial entities		1.334.651	1.181.843
4. Other financial liabilities		2.894.133	212.032
V. Trade payables and other accounts receivable	9	**3.261.104**	**2.541.337**
1. Suppliers		1.350.464	415.152
3. Current tax liabilities	10	45	-
4. Other trade payables		1.910.595	2.126.185
VI. Short-term accruals	11.a	**393.809**	**562.924**
TOTAL EQUITY AND LIABILITIES		**22.573.546**	**18.355.191**

The accompanying explanatory notes 1 to 15 are part of the consolidated financial statements as of June 30th, 2022.

Consolidated Profit and loss statement corresponding to the six-month period ending on June 30th, 2022 (In Euros)			
	NOTES TO THE FINANCIAL STATEMENTS	(Debits) 30/6/2022	Credits 30/6/2021
A) CONTINUED OPERATIONS			
1. Net Turnover		**7.859.195**	**4.149.864**
b) Services provided	11.a	7.859.195	4.149.864
3. Work carried out by the Group for its assets	11.c	**1.855.813**	**754.371**
4. Provisions	11.b	(1.426.879)	(851.700)
c) Works carried out by third party companies		(1.426.879)	(851.700)
5. Other operating income		**92.960**	**3.629**
a) Additional and other ordinary income		22.297	3.629
b) Operating subsidies	8.3	70.663	0
6. Employee expenses	11.d	**(4.275.452)**	**(2.465.782)**
a) Salaries, remunerations and similar		(3.537.621)	(2.106.634)
b) Social contributions		(735.070)	(359.148)
c) Provisions		(2.761)	**0**
7. Other operating expenses	11.e	(3.676.570)	(2.300.693)
a) Losses impariment and variation provisions of commercial operations	7.3	(59.618)	(107.117)
b) Other operating expenses		**(3.616.952)**	**(2.193.576)**
8. Depreciation of fixed assets	4 y 5	**(869.965)**	**(597.900)**
9. Allocation of grants related to non-financial fixed assets and others	8.3	**51.760**	**51.760**
14. Other profit/ loss results		**(8.385)**	**(14.169)**
A.1) OPERATING PROFIT		**(397.522)**	**(1.270.620)**
15. Financial revenues		**476**	**644**
b) From marketable securities and other financial instruments		476	644
16. Financial expenses		**(136.266)**	**(257.490)**
17. Variation of fair value in financial instruments		**(551.814)**	**(380.604)**
a) Business portfolio and others	8.1a)1	(551.814)	(380.604)
18. Exchange rate adjustments		**291.457**	**212.811**
b) Others exchange rate adjustments	11.f	291.457	212.811
19. Impairment losses and gains or losses on disposal of financial instruments	8	**(124.938)**	**201.434**
a) Impairment losses		0	201.434
b) Results from disposals and others		(124.938)	0
A.2) FINANCIAL PROFIT/ LOSS		**(521.085)**	**(223.207)**
A.3) PRE-TAX PROFIT/ LOSS		**(918.607)**	**(1.493.826)**
24. Tax on profits	10.3	**(150.190)**	**(191.132)**
A.4) PROFIT/LOSS FROM CONTINUED OPERATIONS		**(1.068.797)**	**(1.684.958)**
B) DISCONTINUED OPERATIONS			
A.5) PROFIT/LOSS FOR THE FINANCIAL YEAR		**(1.068.797)**	**(1.684.958)**
Result attributable to the parent company		**(1.068.797)**	**(1.684.958)**
Result attributable to the external partners		**0**	**0**

The accompanying explanatory notes 1 to 15 are part of the consolidated financial statements as of June 30th, 2022.

Consolidated statement of changes in equity A) Consolidated statement of recognised income and expenses corresponding to the six-month period ending on June 30^{th}, 2022 (In Euros)			
	Notes to the financial statements	06/30/2022	06/30/2021
A) PROFIT/LOSS FOR THE FINANCIAL YEAR		**(1.068.797)**	**(1.684.958)**
Income and expenses allocated directly to equity:			
I. For valuation of financial instruments			
II. For cash flow hedging			
III. Grants, donations and legacies received			
IV. For actuarial profits and losses and other adjustments			
V. For non-current assets and associated liabilities held for sale			
VI. Conversion differences.	8.2	(875)	12.007
VII. Tax effect	10.4	219	(3.002)
B) TOTAL INCOME AND EXPENSES ALLOCATED DIRECTLY TO EQUITY		**(656)**	**9.006**
Transfer to the consolidated profit and loss statement			
VIII. For valuation of financial instruments			
IX. For cash flow hedging			
X. Grants, donations and legacies received	8.3	(51.760)	(51.760)
XI. For actuarial profits and losses and other adjustments			
XII. Conversion differences.			
XIII. Tax effect	10.4	12.940	12.940
C) TOTAL TRANSFERS TO THE CONSOLIDATED PROFIT AND LOSS STATEMENT		**(38.820)**	**(38.820)**
TOTAL CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSES (A + B + C)		**(1.108.273)**	**(1.714.772)**
Total income and expenses attributable to the parent company		**(1.108.273)**	**(1.714.772)**
Total income and expenses attributable to the external partners			

The accompanying explanatory notes 1 to 15 are part of the consolidated financial statements as of June 30th, 2022.

B) Total statement of changes in equity corresponding to the six-month period ending on June 30th, 2022

(In Euros)

	Capital	Issue premium	Other reserves of the Parent Company: Other reserves	Other reserves of the Parent Company: (Treasury shares)	Other reserves of the Parent Company: Prior years income/loss results	Reserves in comp.: For full consolidation	Result of the allocated financial year	ACV-Conversion Difference	Grants, donations and legacies	TOTAL
Opening balance as of 01.01.2021	**577.141**	**7.222.153**	**1.208.969**	**(341.760)**			**(1.854.599)**		**205.120**	**7.017.023**
I. Total consolidated statements of recognised income and expenses							(553.904)	(3.335)	(77.640)	(634.879)
II. Transactions with shareholders or owners										
1. Capital increase	28.232	2.471.760	(73.125)							2.426.868
2. (-) Capital reduction										
3. Conversion of financial liabilities into equity (deriv. equity-warrans - note 9.1).		380.611								380.611
4. (-) Distribution of dividends.										
5. Transactions with shares or interests of the Parent Company (net).			(73.670)	(214.750)						(288.421)
III. Incorporation of components to the scope of consolidation (note 1.c)						(194.553)				(194.553)
IV. Other changes in equity					(1.682.335)	(172.265)	1.854.599			
End balance as of 12.31.2021	**605.373**	**10.074.525**	**1.062.173**	**(556.510)**	**(1.682.335)**	**(366.818)**	**(553.904)**	**(3.335)**	**127.480**	**(8.706.650)**
I. Adjustments for changes in criteria for the year 2021										
II. Adjustments for errors 2021										
Opening balance as of 01.01.2022	**605.373**	**10.074.525**	**1.062.173**	**(556.510)**	**(1.682.335)**	**(366.818)**	**(553.904)**	**(3.335)**	**127.480**	**(8.706.650)**
I. Total consolidated statements of recognised income and expenses							(1.068.797)	(656)	(38.820)	(1.108.273)
II. Transactions with shareholders or owners										
1. Capital increase	39.317	2.460.683	(116.250)							2.383.750
2. (-) Capital reduction										
3. Conversion of financial liabilities into equity (deriv. equity-warrans - note 9.1).		298.928								298.928
4. (-) Distribution of dividends										
5. Transactions with shares or interests of the Parent Company (net).			(47.158)	(18.291)						(65.449)
III. Incorporation of components to the scope of consolidation (note 1.c)								(3.413)		(3.413)
IV. Exclusion of components from the scope of consolidation (note 1.c)			(592.985)			530.197	85.330			22.541
V. Other changes in equity					(158.993)	(309.581)	468.574			
End balance as of 06.30.2022	**644.690**	**12.834.136**	**305.780**	**(574.801)**	**(1.841.328)**	**(146.203)**	**(1.068.797)**	**(7.404)**	**88.661**	**(10.234.735)**

The accompanying explanatory notes 1 to 15 are part of the consolidated financial statements as of June 30th, 2022.

Consolidated cash flow statement corresponding to the six-month period ending on June 30th, 2022

(In Euros)

	06/30/2022	06/30/2021
A) Cash Flow From Operating Activities		
1. Pre-tax profit/loss.	**(918.607)**	**(1.493.826)**
2. Adjustment on returns	**(466.402)**	**1.065.913**
a) Depreciation of fixed assets (+)	869.965	597.900
b) Valuation adjustments due to impairment (+/-)	59.618	107.117
c) Changes to provisions (+/-)	9.571	10.410
d) Allocation of grants (-)	(122.423)	(51.760)
f) Impairment losses and income from disposal of financial instruments (+/-)	124.938	0
g) Financial revenues (-)	(476)	(644)
h) Financial expenses(+)	136.266	257.490
i) Exchange rate adjustment (+/-)	(239.862)	(235.212)
j) Variation of fair value in financial instruments (+/-)	551.814	380.611
k) Other income and expenses (-/+)	(1.855.813)	0
3. Changes in working capital	**239.962**	**(18.455)**
b) Trade payables and other accounts receivable (+/-)	(105.257)	(396.180)
c) Other current assets (+/-)	(204.704)	(316.291)
d) Creditors and other accounts payable (+/-)	719.038	489.207
e) Other current liabilitiess (+/-)	(169.115)	204.809
4. Other cash flow from operating activities.	**(139.289)**	**(247.250)**
a) Interest payments (-)	(139.765)	(247.893)
c) Interest collection (+)	476	644
5. Cash flow from operating activities (+/-1 +/-2 +/-3 +/-4)	**(1.284.337)**	**(693.619)**
B) Cash flow from investing activities		
6. Investment payments (-)	**(510.309)**	**(2.713.948)**
b) Intangible fixed assets	(236.261)	(40.132)
c) Property, plant and equipment	(228.196)	(933.948)
e) Other financial assets.	(45.852)	(1.739.868)
7. Divestment collection (+)	**35.749**	**497.287**
c) Property, plant and equipment	26.273	0
e) Other financial assets.	9.476	497.287
8. Cash flow from investing activities (7-6)	**(474.560)**	**(2.216.661)**
C) Cash flow from financing activities		
9. Collections and payments for equity instruments.	**2.279.551**	**2.120.923**
a) Issuance of equity instruments.	2.345.000	2.369.993
c) Acquisition of own equity instruments.	(195.649)	(412.263)
d) Disposal of own equity instruments.	130.200	163.193
10. Collections and payments for financial liability instruments.	**1.964.263**	**(522.240)**
a) Issuance.		
4. Others (+).	2.500.000	0
b) Return and amortisation of		
2. Debts with credit institutions(-).	(535.615)	(520.397)
4. Others (-).	(122)	(1.843)
11. Payments for dividends and remuneration of other equity instruments.	**0**	**0**
12. Cash flow from financing activities (+/-9+/-10-11)	**4.243.814**	**1.598.682**
D) Effect of changes in exchange rates.	**73.283**	**(159.275)**
E) Net increase / decrease in cash or equivalents (+/-A +/-B +/-C +/-D)	**2.558.199**	**(1.470.872)**
Cash or equivalent at the begining of the financial year.	1.697.327	5.979.705
Cash or equivalents at the end of the financial year.	4.255.527	4.508.833

The accompanying explanatory notes 1 to 15 are part of the consolidated financial statements as of June 30th, 2022

1. Nature and main activities of the Group

a) Parent company

FACEPHI BIOMETRÍA S.A. (hereinafter the Parent Company) was incorporated for an indefinite period of time on September 26th, 2012 before the notary Mr. Ignacio J. Torres López. Its registered office is located in Alicante, on 20 México street.

The corporate purpose, according to the Company's Articles of Association, is as follows:

- The research, development and marketing of all types of computer equipment, hardware, software and household appliances.
- Online sales through the internet and/or similar distribution channels, import, export, representation, marketing, distribution, intermediation, wholesale and retail sale and purchase, processing, handling, manufacture and provision of services related to hardware, software on physical media and through the marketing of licences for use, electronic products and components, household appliances and telecommunications.
- The performance of internet activities, as well as the provision of information and training services.
- The promotion, construction, acquisition, transfer, brokerage, leasing (except for financial leasing), subleasing, 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 type of urban qualification, buildings, bungalows, flats, chalets, housing estates, sports fields, residential homes, industrial or business premises and facilities, catering establishments, all with or without furniture, for its own account and for the account of third parties, and of public and private ownership.

The main activity of Facephi Biometría S.A. and its subsidiary offices (hereinafter the Facephi Group or the Group) consists of the marketing and implementation of facial recognition Biometría software developed by Facephi itself, under heading 845 of the Economic Activities Tax.

The Group has been listed on the BME Growth's growth companies segment since July 1st, 2014 and on Euronext Growth in Paris since February 25th, 2020.

The Group is therefore subject to the control and supervision regime regulated by Regulation (EU) no. 596/2014 on market abuse, the revised text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of October 23rd, and related provisions, as well as the Circulars issued by BME Growth.

b) Subsidiary and associated offices

Subsidiaries, which are companies over which the parent company exercises or may exercise, directly or indirectly, control, understood as the power to govern the financial and operating policies of a company in order to obtain economic benefits from its activities, have been fully consolidated. This is generally, but not exclusively, evidenced by direct or indirect ownership of more than 50% of the voting rights of the company in question. Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation on the date on which control ceases.

Information on the companies that form part of the Facephi Group, indicating their principal activity and registered office, is set out below:

Commercial Company (Art. 42 C. Com.)	% particip.	Based in	Main activity
Facephi Biometría, S.A.	Parent company	Alicante (Spain)	Commercialisation of facial Biometría solutions

Facephi APAC, LTD	100%	Pangyo (South Korea)	Commercialisation of facial Biometría solutions
Ecertic Digital Solutions, S.L.U. (1)	100%	Madrid (Spain)	Development and commercialisation of software
Celmuy Trading, S.A.	100%	Montevideo (Uruguay)	Commercialisation of facial Biometría solutions
Facephi Beyond Biometrics, LTD (2)	100%	London (UK)	Commercialisation of facial Biometría solutions

(1) With effect from January 1st,2022, Ecertic Digital Solutions, S.L.U. has been absorbed by the Parent Company by means of a merger agreement (see section d) of this note).

(2) Company incorporated on May 26th, 2022 in the United Kingdom and dormant as of June 30th, 2022 (see paragraph (c) of this note).

The net asset position of the subsidiaries, obtained from unaudited accounting records, as of June 30th, 2022 and December 31st, 2021, if applicable, is as follows:

	Euros			
	Facephi APAC (*)		Celmuy (*)	Ecertic
	30.06.2022	31.12.2021	30.06.2022	31.12.2021
Stock capital	516,390	516,390	---	8,867
Issue premium	---	---	---	703,365
Reserves	(227,466)	(275,817)	---	(327,603)
Profit/loss for the financial year	(33,568)	48,351	(151,973)	---
Conversion differences	(3,991)	(4,447)	(3,413)	(85,330)
Grants	---	---	---	61,484
Net assets	**251,365**	**284,478**	**(155,386)**	**360,783**
% shareholding	100%	100%	100%	100%
Theoretical share value	**251,365**	**284,478**	**(155,386)**	**360,783**

(*) Exchange value of the South Korean Won (KRW) and the Uruguayan Peso (UYU) to euro according to the currency conversion criteria described in note 3.1.

c) Changes in the scope of consolidation

In accordance with the regulations applicable to the preparation of consolidated financial statements, the South Korean subsidiary Facephi APAC Ltd. was excluded from the scope of consolidation as at 31 December 2020, for reasons of minor significance and minimal volume of business operations for the Group's interests. However, all of the losses generated by this company in its first year were offset in the consolidated balance sheet, consolidated equity and consolidated results through the impairment carried out by the Group's directors in relation to the various financial assets in the amount of 282,697 euros.

As of June 30th, 2021, the Parent Company's Board of Directors decided to include this company in the scope of consolidation, using the full consolidation method, effective for accounting purposes on January 1st, 2021.

Celmuy Trading is a Uruguayan company, incorporated on August 11th, 2020, and registered in the Uruguayan tax register under number 218731960012, and subject to the commercial laws of that country. This company was acquired 100% by the Parent Company on April 25th, 2021, and has remained inactive since its incorporation and until February 2022, which is why it was not part of the consolidated Group at December 31st, 2021. As of June 30th, 2022, it was included in the scope of consolidation.

In November 2021, the Parent Company and Ecertic Digital Solutions, S.L. approved the merger project of both companies, by absorption of the latter by the former. The merger agreement was notarised in March 2022, as indicated in section d) below, and the accounting effective date is January 1st, 2022.

Finally, on May 26th, 2022, Facephi Beyond Biometrics LTD was registered with the Registrar of England and Wales under number 14135809. This company has been registered with a capital of GBP 100, which has not been paid up at the date of these consolidated interim financial statements. This company has not commenced operations and has therefore not been included in the scope of consolidation as of June 30th, 2022.

d) Business combinations

Acquisition of Ecertic Digital Solutions, S.L.

On April 20th, 2020, the agreement for the purchase and sale of 100% of the shares of Ecertic Digital Solutions, S.L., until then a technology supplier, was executed for an acquisition price of 2 million euros. The Parent Company's management considered that this transaction achieves the strategic objective of strengthening the "digital onboarding" service in its commercial portfolio and consolidating its leadership in the field of identification and authentication, both nationally and internationally. The transaction was settled in cash in the amount of 1,159,999 euros and the delivery of 164,706 treasury shares of the parent company for an amount of 840,001 euros, corresponding to the fair value of the shares delivered.

The fair value of the assets and liabilities of Ecertic, once the company was acquired, together with their book value before the acquisition were recorded as follows:

	Euros	
	Accounting value	**Fair value**
Fixed assets	293,666	1,920,360
Tangible fixed assets	13,456	13,456
Trade payables and other accounts receivable.	120,329	120,829
Cash and cash equivalents.	7,474	7,474
Deferred tax liabilities.	(38,723)	(38,723)
Trade and other payables.	(23,396)	(23,396)
Identified net assets	**372,806**	**2,000,000**
Goodwill arising from the transaction		---
Total Acquisition Cost		**2,000,000**

Therefore, the agreed acquisition price implied, as of December 31st, 2020, the recognition of implicit goodwill amounting to 1,627,194 euros, which has been considered attributable to the technology contributed by this company to the development of the digital on boarding solutions currently marketed by the Group.

On March 3rd, 2022 the merger agreements and the project issued by the administrative bodies of the absorbing company FACEPHI BIOMETRÍA, S.A. and the absorbed company ECERTIC DIGITAL SOLUTIONS, S.L., which was signed on November 2nd, 2021 with the applicable content and requirements established in articles 30 and 31 of Law 3/2009, of April 3rd, on structural modifications of commercial companies, were notarised and made public.

On November 9th, 2021, the governing bodies of both companies approved the merger operations in accordance with the plan, with the dissolution of the absorbed company and the acquisition by universal succession of its assets, and also approved the respective merger balance sheets referring to September 30th, 2021. The accounting effective date of the operations of the absorbed company was January 1st, 2022.

Pursuant to article 51 of the Structural Modifications Act, as the absorbing company directly owns 100% of the share capital of the limited liability company being absorbed, it was not necessary for the merger to be approved by the General Shareholders' Meeting of the absorbing company.

The merger addition recognised in the accounting records of the parent company on January 1st, 2022 is as follows:

	Euros	
Items	**Debits**	**Credits**
Intangible Fixed Assets	1,267,704	
Property, plant and equipment	8,367	
Trade and other receivables	15,815	
Trade receivables from Group companies	382,548	
Cash and cash equivalents	45,683	
Merger reserves	592,985	
Subsidies		61,484
Deferred tax liabilities		20,495
Short-term liabilities		(3,842)
Short-term payables to group companies		192,196
Trade Payables		42,771
Ecertic Shareholdings		2,000,000
Total	**2,313,102**	**2,313,102**

e) Joint ventures

In the 2022 financial year, the Parent Company forms part of the joint venture "UTE DH Healthcare provider software Spain, S.L.U - Facephi Biometría, S.A. "This joint venture was set up to execute the contract awarded by the management of the National Institute for Healthcare Management (INGESA) for the integration and installation of a master system for hospital patients with biometric identification for the regional hospitals of Melilla and the University Hospital of Ceuta and the primary care centres of Ceuta and Melilla.

The estimated value of the contract is 711,490 euros to be executed over a period of 38 months. At the date of authorisation for issue of these financial statements, the activity has not commenced.

2. Basis of presentation of the interim consolidated financial statements

a) Regulatory framework for financial reporting applicable to the Group

The consolidated interim financial statements have been prepared by the Board of Directors of the Parent Company in accordance with the regulatory financial reporting framework applicable to the Group, which is set out in:

- the Spanish Commercial Code,
- Royal Decree 1514/2007 of 16 November 2007, approving the General Accounting Plan, as well as its subsequent amendments incorporated by Royal Decrees 1159/2010 of September 17th, 602/2016, of 17 December and 1/2021, of January 12th,
- Royal Decree 1159/2010, of September 17th, approving the rules for the preparation of consolidated annual accounts, in all that does not oppose the provisions of the aforementioned mercantile reform,
- and other applicable provisions of the regulatory framework for financial reporting.

b) True and fair view

The interim consolidated financial statements have been prepared on the basis of the accounting records of the various companies composing the Group and are presented in accordance with the regulatory financial reporting framework described in the preceding paragraph and, in particular, with the accounting principles and rules contained therein, in order to present fairly the consolidated equity, consolidated financial position and consolidated results, as well as the true and fair view of the cash flow included in the Consolidated Cash Flow Statement for the period.

The accompanying interim consolidated financial statements have been prepared in order to comply with the requirement to notify BME Growth of interim financial information of June 30th, 2022, as set out in Circular 3/2020.

The consolidated interim financial statements are presented in euros, rounded to the nearest whole number, which is the Group's functional and presentation currency.

There are no exceptional reasons why, in order to present a true and fair view, statutory accounting provisions have not been applied.

c) Non-mandatory accounting principles

No non-mandatory accounting principles have been applied. In addition, the Board of Directors of the Parent Company has prepared these interim consolidated financial statements taking into account all the mandatory accounting principles and standards that have a material effect on these financial statements. There are no mandatory accounting principles that are no longer applied.

d) Critical Assessment Issues and Estimation of Uncertainty

The information in these explanatory notes is the responsibility of the Parent's directors and its preparation requires Group management to make judgements, estimates and assumptions that affect the application of standards and the amounts of assets, liabilities, income, expenses and commitments. The estimates and assumptions adopted are based on historical experience and other factors that are reasonable under the prevailing circumstances. In this respect, the following is a detail of the matters that have involved the greatest degree of judgement, complexity or where assumptions and estimates are significant to the preparation of the accompanying financial statements:

- *Impairment of non-current assets*: the measurement of non-current assets other than financial assets requires estimates to be made in order to determine their recoverable amount for the purpose of assessing possible impairment. To determine this recoverable amount, the Parent's directors estimate the expected future cash flow of the assets or the cash-generating units of which they form part and use an appropriate discount rate to calculate the present value of those cash flow. The cash flow depend on the fulfilment of the projections included in the business plan for the next five financial years, while the discount rates depend on the interest rate and risk premium (see note 3.4).

- *Deferred tax assets* are recognised for all deductible temporary differences, tax loss carryforwards and unused tax credits for which it is probable that future taxable profits will be available to the Group to allow the use of these assets. Significant estimates have to be made to determine the amount of deferred tax assets that can be recognised, taking into account the amounts and timing of future taxable profits and the reversal period of taxable temporary differences. As of June 30th, 2022, the Group has recognised deferred tax assets totalling Euros 1,133,612 relating to temporary differences, tax loss carryforwards and tax credits carryforwards (see note 10).

These estimates are made on the basis of the best information available at the date of preparation of the consolidated interim financial statements on the events analysed. However, it is possible that events that may occur in the future may make it necessary to change these estimates (upwards or downwards) in the future, which would be done prospectively, if necessary, in accordance with Standard 22 of the Spanish National Chart of Accounts, recognising the effects of the change in estimate in the related consolidated profit and loss statement.

e) Going concern

During the six months ended June 30th, 2022, the Group has generated significant consolidated losses before taxation of EUR 919,000 (June 30th, 2021: EUR 1,494,000), which mainly arise from the increase in the Group's headcount, as well as financial risks arising from the issuance of own equity instruments to address its financing needs (see note 8.1).

However, the consolidated EBITDA generated as of June 30th, 2022, has amounted to a positive amount of 532 thousand euros (negative 566 thousand euros as of June 30th, 2021)..

The Consolidated Equity figure as of June 30th, 2022, stands at EUR 10.2 million with an increase of EUR 1.5 million compared to December 31st, 2021, mainly derived from the capital increase operations executed during the financial year 2022 (see note 8.1).

In these circumstances, the Parent Company's Board of Directors considers that the cash flow generated by the business and the available financing facilities are sufficient to meet the Group's current liabilities and expansion plans and, accordingly, the accompanying consolidated interim financial statements have been prepared on a going concern basis.

f) Comparison of information

The current period comprises the six-month period from January 1st, 2022 to June 30th, 2022. In this regard, for comparison purposes, the consolidated balance sheet has been included as comparative with December 31st, 2021, while the consolidated profit and loss statement, the consolidated statement of changes in equity and the consolidated cash flow statement have included the six-month period from 1 January 2021 to 30 June 2021 as comparative.

g) Changes in accounting policies and correction of errors

As of June 30th, 2022, the Company has not made any adjustments for changes in accounting policies with respect to the policies applied in 2021, nor has it been necessary to correct any errors from previous years.

3. Recording and assessment standards

The main accounting and valuation standards used by the Facephi Group in the preparation of these interim consolidated financial statements are as follows:

3.1 Consolidation principles

The basic criteria used in consolidation are as follows:

<u>Acquisitions of control</u>

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

The cost of acquisition is determined as the sum of the acquisition-date fair values of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer and the fair value of any contingent consideration contingent on future events or the fulfilment of certain conditions that is required to be recognised as an asset, liability or equity according to its nature.

Expenses related to the issue of the equity instruments or financial liabilities delivered are not part of the cost of the business combination and are recognised in accordance with the rules applicable to financial instruments. Fees paid to legal advisers or other professionals involved in the business combination are expensed as incurred. Internally generated expenses and any expenses incurred by the acquiree are not included in the cost of the combination.

The excess, at the acquisition date, of the cost of the business combination over the proportionate share of the value of the identifiable assets acquired less the value of the liabilities assumed representing the equity interest in the Group acquired is recognised as goodwill. In the exceptional case that this amount exceeds the cost of the business combination, the excess is recognised in the profit and loss statement as income.

The assets, liabilities, income, expenses, cash flow and other items in the interim financial statements of the companies comprising the Group are included in the Group's consolidated interim financial statements using the full consolidation method, since there is effective control.

Effective control is understood to be that of subsidiaries in which the parent company has a direct or indirect holding of more than 50%, enabling it to hold a majority of the voting rights in the corresponding management bodies.

This method requires the following:

<u>Consistency in timing</u>

The individual interim financial statements of subsidiaries are drawn up at the same date and for the same period as the consolidated interim financial statements of the Group company to be consolidated.

<u>Consistency in valuation</u>

The assets and liabilities, income and expenses and other items comprising the interim financial statements of the Group companies have been valued using uniform methods. Assets, liabilities, income and expenses that have been measured using non-consolidated methods have been remeasured and the necessary adjustments have been made for the sole purpose of consolidation.

<u>Aggregation</u>

The different items of the individual interim financial statements, previously homogenised, are aggregated according to their nature.

<u>Disposal of investments - equity</u>

The carrying amounts of the equity instruments of the subsidiary held, directly or indirectly, by the Parent are offset against the proportionate share of the equity items of the subsidiary attributable to those holdings, generally on the basis of the values resulting from applying the acquisition method described above. In consolidations subsequent to the year in which control was acquired, the excess or deficit in equity generated by the subsidiary since the acquisition date that is attributable to the Parent is presented in the consolidated balance sheet under reserves or adjustments for changes in value, depending on their nature. The portion attributable to minority interests is shown under "Minority interests".

<u>Minority interests</u>

There are no minority interests as of June 30th, 2022 or during the financial year 2021.

<u>Eliminations of intra-group items</u>

Receivables and payables, income and expenses and cash flow between Group companies are eliminated in full. In addition, all results from internal operations are eliminated and deferred until they are realised vis-à-vis third parties outside the Group.

<u>Translation of interim financial statements of foreign companies</u>

All assets and liabilities of companies whose functional currency is not the euro and which are included in consolidation are translated into euro at the year-end exchange rate.

The items in the profit and loss account have been translated at the exchange rates prevailing at the dates on which the relevant transactions were carried out.

The difference between the amount of equity of foreign companies, including the balance of the profit and loss account calculated in accordance with the preceding paragraph, translated at the historical exchange rate and the net asset and liability position resulting from the translation of assets and liabilities in accordance with the first paragraph, is recorded with a positive or negative sign, as appropriate, in equity in the consolidated balance sheet under Conversion differences, less the portion of this difference relating to non-controlling interests, which is shown under Non-controlling interests in equity in the consolidated balance sheet.

Goodwill and fair value adjustments to balance sheet items arising on the acquisition of an interest in a foreign entity are treated as assets and liabilities of the acquired entity and are therefore translated at the closing rate, with any exchange differences arising being recognised under Conversion differences.

3.2 Business combinations

Business combinations are considered to be transactions in which a company has acquired control of one or more businesses, understood as an integrated set of activities and assets that can be managed to provide a return, lower costs or other benefits to the owners.

Mergers, spin-offs and non-monetary contributions of a business between group companies are recognised at the carrying amounts of the assets and liabilities acquired in the consolidated financial statements of the ultimate Spanish parent company at the date of the transaction. Any differences that may become apparent are recorded against reserves. The accounting effect date is the beginning of the year in which the transaction is approved.

Mergers or divisions other than the above, and business combinations arising from the acquisition of all the assets and liabilities of a company or a part of a company constituting one or more businesses, are accounted for by valuing the assets and liabilities acquired in accordance with the acquisition method. Therefore, such assets and liabilities are, as a general rule, measured at their fair value at the transaction date, provided that this can be measured reliably, and, where appropriate, the difference between the cost of the business combination and the value of such assets and liabilities, as goodwill, if positive, or as income in the profit and loss account, if negative. The acquisition date is the date on which the acquirer acquires control of the acquired business or businesses.

Joint ventures

In accordance with current mercantile regulations, for the integration and accounting of transactions with joint ventures in which the Group participates, the proportional part of the balances of the joint venture is included in the consolidated balance sheet and profit and loss account according to the percentage shareholding held. This inclusion is made after the necessary homogenisation and elimination of the transactions between the Group and the UTE, in proportion to the corresponding shareholding and the asset and liability balances and reciprocal income and expenses.

3.4 Fixed assets

Fixed assets are stated at acquisition or production cost. Intangible fixed assets are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Fixed assets are assets with finite useful lives and are therefore amortised on a straight-line basis over the period over which the economic benefits inherent in the asset are reasonably expected to flow to the company.

Where the useful lives of these assets cannot be reliably estimated, they are depreciated over a period of ten years.

a) Expenditure on software development

Expenditure on the development of software applications which are subsequently marketed is capitalised when all the following conditions are met:

- The existence of a specific and individualised project that allows the disbursement attributable to the project to be reliably assessed.
- The allocation, assignment and timing of the costs of each project are clearly established.
- At all times there are sound reasons for technical success in the realisation of the project, both in the case of direct exploitation and in the case of sale to a third party of the result of the project once it has been completed, if there is a market.
- The economic and commercial profitability of the project is reasonably assured.
- The financing of the different projects is reasonably assured in order to complete their realisation. The availability of adequate technical or other resources to complete the project and to use or sell the fixed asset is assured.
- There is an intention to complete the fixed asset in question, to use it or to sell it.

Fulfilment of all the above conditions is verified during all the years in which the project is carried out, and the amount to be capitalised is the amount that occurs when these conditions are fulfilled.

The costs of in-house personnel and the costs of services acquired from third parties involved in the development of computer software and applications are included as an increase in the cost thereof, with a credit to "Work performed by the company on its fixed assets" in the consolidated profit and loss statement.

Other development costs are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that are capitalised, in accordance with the conditions indicated earlier in this section, are amortised on a straight-line basis over their estimated useful life for each project, not exceeding 5 years.

In the event of a change in the favourable circumstances of the project that allowed the development costs to be capitalised, the unamortised portion is taken to profit or loss in the year in which these circumstances change.

The estimate of the impairment of fixed assets is based on obtaining future cash flow derived from the fulfilment of the business plan that Group management has drawn up, discounted at a market discount rate. This plan supports the commercial success of the capitalised development expenditure and its recoverability.

As of June 30th, 2022, the Parent Company considers that there is no indication of impairment of fixed assets as the directors have high expectations of the fulfilment of the business plan, which shows that, based on their forecasts, the fixed assets and tax credits will be fully recovered in the coming years.

b) Computer software and other IT office applications

Software licences acquired from third parties are capitalised on the basis of the costs incurred to acquire and prepare them for use of the specific software. These costs are amortised over their estimated useful lives on a straight-line basis over a period of 6 years.

Costs related to software maintenance are recognised as an expense when incurred. Costs directly related to the production of unique and identifiable software controlled by the Group that is probable to generate economic benefits in excess of costs for more than one year are recognised as fixed assets software. Direct costs include the costs of software development personnel and an appropriate proportion of overheads.

Software development costs recognised as assets are amortised over their estimated useful lives (not exceeding 5 years).

c) Industrial property

Industrial property is measured at the costs incurred to obtain ownership or the right to use or the concession to use the various manifestations thereof, provided that, due to the economic conditions arising from the contract, they must be inventoried by the acquiring company. This includes, among others, invention patents, utility model protection certificates, industrial design and introductory patents.

Industrial property rights shall be valued at acquisition price or production cost. The book value of development expenditure capitalised at the time the corresponding patent or similar is obtained, including the cost of registration and formalisation of the industrial property, shall be recorded under this item, provided that the legal conditions necessary for its addition in the corresponding register are met, and without prejudice to the amounts that may also be recorded due to the acquisition of the corresponding rights from third parties. Research expenses will be amortised as they are incurred and will in no case be included in the book value of the industrial property. The duration has been estimated at between 10 and 20 years.

3.5 Property, plant and equipment

Property, plant and equipment are recognised at acquisition or production cost less accumulated depreciation and any accumulated impairment losses recognised.

The costs of expansion, modernisation or improvement of property, plant and equipment are capitalised only when they lead to increased capacity, productivity or a lengthening of the useful life of the asset and provided that it is possible to know or estimate the carrying amount of the items that have been removed from the inventory because they have been replaced.

Major repair costs are capitalised and depreciated over their estimated useful lives, while recurring maintenance costs are charged to the profit and loss statement in the year in which they are incurred.

Depreciation of property, plant and equipment, with the exception of land, which is not depreciated, is calculated on a straight-line basis according to the nature of the asset, taking into account the depreciation actually incurred in its operation, use and enjoyment.

The estimated useful lives are as follows:

Element	Annual percentage	Years of service	Method
Other installations	10%	10	Linear
Furniture	5%-10%	10-20	Linear
IT equipment	25%	4	Linear
Other tangible assets	10%-20%	5-10	Linear

The residual values and useful lives of assets are reviewed, and adjusted if necessary, at each consolidated balance sheet date.

When the carrying amount of an asset exceeds its estimated recoverable amount, its value is written down immediately to its recoverable amount.

Gains and losses on the sale of property, plant and equipment are calculated by comparing the proceeds from the sale with the carrying amount and are recognised in the consolidated profit and loss statement.

3.6 Impairment of non-financial assets

At least at each financial year end, the directors assess whether there is any indication that any non-current assets may be impaired. If so, their recoverable amounts are estimated.

The recoverable amount is the higher of fair value less costs to sell and value in use. When the carrying amount is greater than the recoverable amount, an impairment loss is incurred. Value in use is the present value of expected future cash flow, using risk-free market interest rates, adjusted for the specific risks associated with the asset. For assets that do not generate cash flow largely independent of those arising from other assets or groups of assets, the recoverable amount is determined for the cash-generating units to which those assets belong.

For assets that do not generate cash flow largely independent of those arising from other assets or groups of assets, the recoverable amount is determined for the cash-generating units to which those assets belong. Impairment losses are reversed when the circumstances that gave rise to them cease to exist, except for goodwill. The reversal of impairment is limited to the carrying amount of the asset that would have been determined had no impairment loss previously been recognised.

The directors of the parent company have updated their five-year business plan, which has been taken as the basis for a new impairment test of non-financial assets.

3.7 Financial assets

Classification of financial instruments

Financial instruments are classified on initial recognition as a financial asset, financial liability or equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, financial liability or equity instrument.

The Group classifies financial instruments into the different categories on the basis of the characteristics and investment strategy of the Management Body at initial recognition.

Offsetting principle

A financial asset and a financial liability are offset only when the Group has an enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Assets at amortised cost

A financial asset is included in this category, even when it is admitted to trading on an organised market, if the Group holds the investment for the purpose of receiving cash flow from the performance of the contract and the contractual terms of the financial asset give rise, at specified dates, to cash flow that are solely collections of principal and interest on the principal amount outstanding.

Generally, trade receivables and non-trade receivables are included in this category:

a. Trade receivables: financial assets arising from the sale of goods and the rendering of services in connection with the Group's business transactions with deferred payment, and

b. Non-trade receivables: financial assets which, not being equity instruments or derivatives, do not have a commercial origin and whose collections are of a determined or determinable amount and which arise from loans or credit operations granted by the Group.

Initial assessment.

Financial assets classified in this category are initially measured at fair value, which, unless there is evidence to the contrary, is the transaction price, which is the fair value of the consideration given, plus directly attributable transaction costs.

However, trade receivables maturing within one year that do not have an explicit contractual interest rate, as well as receivables from staff, dividends receivable and payments due on equity instruments that are expected to be received in the near term, may be measured at nominal value when the effect of not discounting the cash flow is not material.

Subsequent assessment.

Financial assets included in this category are measured at amortised cost. Accrued interest is recognised in the profit and loss account using the effective interest method.

However, loans and receivables maturing in less than one year which, in accordance with the provisions of the previous paragraph, are initially measured at nominal value, continue to be measured at nominal value, unless they are impaired.

When the contractual cash flow of a financial asset change because of the issuer's financial difficulties, the Group assesses whether an impairment loss should be recognised.

Impairment.

At least at the end of each reporting period, an impairment loss shall be recognised whenever there is objective evidence that a financial asset, or a group of financial assets with similar risk characteristics measured collectively, is impaired as a result of one or more events that occurred after initial recognition and that result in a reduction or delay in estimated future cash flow, which may be caused by the insolvency of the debtor.

The impairment loss on these financial assets is the difference between their carrying amount and the present value of estimated future cash flow, including, where applicable, those from the realisation of collateral and personal guarantees, discounted at the effective interest rate calculated at the time of initial recognition. For floating rate financial assets, the effective interest rate at the date of the consolidated financial statements is used in accordance with the contractual terms. Models based on formulas or statistical methods may be used to calculate impairment losses for a group of financial assets.

Impairment losses, and reversals of impairment losses when the amount of the impairment loss decreases due to a subsequent event, shall be recognised as an expense or income, respectively, in the consolidated profit and loss statement. The reversal of impairment shall be limited to the carrying amount of the asset that would have been recognised at the date of reversal had no impairment loss been recognised.

However, the market value of the instrument may be used as a proxy for the present value of future cash flow, provided that it is sufficiently reliable to be considered representative of the value that could be recovered by the Group.

The recognition of interest on credit-impaired financial assets follows the general rules, without prejudice to the simultaneous assessment by the Group of whether the amount will be recoverable and, if so, the recognition of the corresponding impairment loss.

Financial assets at cost

In any case, the following are included in this valuation category:

a) Investments in the equity of non-consolidated group, multi-group and associated companies, as defined in the 13th standard for the preparation of the annual accounts of the Spanish National Chart of Accounts.

b) Other investments in equity instruments whose fair value cannot be determined by reference to a quoted price in an active market for an identical instrument, or cannot be reliably estimated, and derivatives that have these investments as their underlying.

(c) Hybrid financial assets whose fair value cannot be reliably estimated, unless they qualify for recognition at amortised cost.

(d) Contributions made as a result of a joint venture and similar agreements.

e) Participating loans whose interest is contingent either because a fixed or variable interest rate is agreed to be payable on the achievement of a milestone in the borrower's business (e.g. the achievement of profits) or because it is calculated solely by reference to the performance of the borrower's business.

f) Any other financial asset that is initially classified in the fair value through profit or loss portfolio when it is not possible to obtain a reliable estimate of its fair value.

Initial assessment

Investments included in this category are initially measured at cost, which is the fair value of the consideration given plus any directly attributable transaction costs, applying, where appropriate, in relation to group companies, the criteria included in section 2 of Accounting and Valuation Standard 19 of the Spanish National Chart of Accounts relating to transactions between group companies, and the criteria for determining the cost of the combination established in the standard on business combinations.

However, if an investment existed prior to its classification as a group company, jointly controlled entity or associate, the cost of this investment shall be considered to be the book value that it should have had immediately before the company was classified as such.

The initial valuation shall include the amount of any preferential subscription rights and similar rights that may have been acquired.

Subsequent assessment

Equity instruments included in this category shall be valued at cost less any accumulated impairment losses.

Where these assets are to be valued by derecognition or otherwise, the weighted average cost method shall be applied for homogeneous groups, i.e. securities with equal rights.

In the case of the sale of pre-emptive subscription rights and similar rights or the segregation of such rights for exercise, the amount of the cost of the rights shall decrease the book value of the respective assets. Such cost shall be determined by applying a generally accepted valuation formula.

Contributions made as a result of a joint venture and similar contracts shall be valued at cost, increased or decreased by the profit or loss, respectively, accruing to the company as a non-managing venturer, less, where appropriate, any accumulated impairment losses.

The same applies to participating loans where the interest is contingent, either because a fixed or variable interest rate is agreed to be conditional on the achievement of a milestone in the borrowing company (e.g. profit), or because it is calculated solely by reference to the performance of the borrowing company's business. If irrevocable fixed interest is agreed in addition to contingent interest, it is accounted for as finance income on an accrual basis. Transaction costs shall be taken to the profit and loss account on a straight-line basis over the life of the participating loan.

Impairment

At least at the year-end, any required impairment loss shall be recognised whenever there is objective evidence that the carrying amount of an investment is no longer recoverable.

The amount of the impairment loss shall be the difference between the carrying amount and the recoverable amount, which is the higher of fair value less costs to sell and the present value of the future cash flow arising from the investment, which in the case of equity instruments shall be calculated either by estimating those expected to be received as a result of the distribution of dividends by the investee and the disposal or derecognition of the investment in the investee, or by estimating its share of the cash flow expected to be generated by the investee from its ordinary activities and from the disposal or derecognition of the investment.

Unless there is better evidence of the recoverable amount of investments in equity instruments, the estimate of the impairment loss on this class of assets shall be calculated on the basis of the investee's equity and the unrealised gains existing at the measurement date, net of the tax effect. In determining this value, and provided that the investee has itself invested in another investee, the net assets included in the consolidated financial statements prepared using the criteria of the Commercial Code and its implementing rules must be taken into account.

When the investee is domiciled outside Spanish territory, the net worth to be taken into consideration shall be expressed in accordance with the rules contained in this provision. However, if there are high inflation rates, the values to be considered shall be those resulting from the financial statements adjusted in the sense set out in the rule relating to foreign currency.

In general, the indirect method of estimation on the basis of equity may be used where it can be used to demonstrate a minimum recoverable amount without the need for a more complex analysis where it is inferred that there is no impairment.

The recognition of impairment losses and, where applicable, their reversal, shall be recognised as an expense or income, respectively, in the consolidated profit and loss statement. The reversal of the impairment shall be limited to the carrying amount of the investment that would have been recognised at the date of reversal had no impairment loss been recognised.

However, if an investment in the company had been made prior to its classification as a group company, jointly controlled entity or associate and, prior to that classification, valuation adjustments had been made and recognised directly in equity in respect of that investment, those adjustments shall be retained after classification until the investment is disposed of or derecognised, at which time they shall be recognised in the consolidated profit and loss statement, or until the following circumstances occur:

a) In the case of prior valuation adjustments for increases in value, impairment losses shall be recognised against the equity item reflecting the previously made valuation adjustments up to the amount of the impairment, and the excess, if any, shall be recognised in the consolidated profit and loss account. Impairment losses recognised directly in equity shall not be reversed.

b) In the case of previous impairment losses, when the recoverable amount subsequently exceeds the carrying amount of the investments, the latter shall be increased, up to the limit of the aforementioned impairment loss, against the item in which the previous impairment losses were recognised and thereafter the new amount arising shall be treated as the cost of the investment. However, where there is objective evidence of impairment in the value of the investment, cumulative losses accumulated directly in equity shall be recognised in the consolidated profit and loss statement.

Interest and dividends

Interest and dividends on financial assets accrued after the time of acquisition shall be recognised as income in the consolidated profit and loss statement. Interest on financial assets measured at amortised cost shall be recognised using the effective interest method and dividends when the member's right to receive them is declared.

For this purpose, on initial measurement of financial assets, the amount of explicit interest accrued but not yet due at that time and the amount of dividends declared by the competent body at the time of acquisition shall be recognised separately on a maturity basis. Explicit interest" shall be understood to mean the interest obtained by applying the contractual interest rate of the financial instrument.

Derecognition of financial assets

The Group derecognises a financial asset, or part of a financial asset, when the contractual rights to the cash flow from the financial asset expire or have been transferred and the risks and rewards of ownership have been substantially transferred, in circumstances that are assessed by comparing the Group's exposure, before and after the transfer, to changes in the amounts and timing of the net cash flow of the transferred asset.

Substantially all the risks and rewards of ownership of the financial asset are deemed to have been transferred when its exposure to such a change is no longer material in relation to the total change in the present value of the future net cash flow associated with the financial asset.

If the Group has neither transferred nor retained substantially all the risks and rewards, the financial asset is derecognised when it no longer retains control of the financial asset, which is determined by the transferee's unilateral ability to transfer the asset, in its entirety and without imposing conditions, to an unrelated third party. If the transferor retains control of the asset, it shall continue to recognise the asset at the amount at which the transferor is exposed to changes in the value of the transferred asset, i.e. its continuing involvement, and recognise an associated liability.

When the financial asset is derecognised, the difference between the consideration received net of attributable transaction costs, taking into account any new asset obtained less any liability assumed, and the carrying amount of the financial asset shall determine the gain or loss arising on derecognition and form part of consolidated profit or loss for the period in which the gain or loss arises.

The above criteria also apply to transfers of a group or part of a group of financial assets.

3.8 Financial liabilities

Financial liabilities are classified into the following measurement categories: financial liabilities at amortised cost and financial liabilities at fair value through profit or loss.

Financial liabilities at amortised cost

The Group classifies all financial liabilities in this category except where they are to be measured at fair value through profit or loss.

In general, trade and non-trade payables are included in this category:

a) Trade payables: financial liabilities arising from the purchase of goods and services in connection with the Group's business transactions with deferred payment; and

b) Non-trade payables: financial liabilities which, not being derivative instruments, do not arise from trade transactions, but arise from loans or credits received by the Group.

Initial assessment

The financial liabilities included in this category are initially valued according to their fair value, which, unless there is evidence to the contrary, will be the transaction price, which will be equal to the fair value of the consideration received adjusted by the transaction costs that are directly attributable to them.

The impairment loss on these financial assets is the difference between their carrying amount and the present value of estimated future cash flow, including, where applicable, those from the realisation of collateral and personal guarantees, discounted at the effective interest rate calculated at the time of initial recognition.

Subsequent assessment

Financial liabilities included in this category are valued at their amortised cost. Accrued interest will be recorded in the consolidated profit and loss account, applying the effective interest rate method.

However, debits maturing in no more than one year which, in accordance with the provisions of the preceding section, are initially valued at their nominal value, will continue to be valued at that amount.

Derecognitions and modifications of financial liabilities

The Group writes off a financial liability, or part of it, when the obligation has been extinguished; that is, when it has been satisfied, cancelled or has expired. It also writes off its own financial liabilities that it acquires, even if it is with the intention of relocating them in the future.

The difference between the book value of the financial liability or of the part thereof that has been derecognised and the consideration paid, including the costs or commissions incurred and which also includes any transferred asset other than cash or liability. assumed, is recognised in the consolidated profit and loss account for the year in which it occurs.

3.9 Net assets

The capital stock is represented by shares. Incremental costs directly attributable to the issue of new shares or options are presented in consolidated equity as a deduction, net of taxes, of the amounts obtained.

a) Own equity instruments held by the Parent company (Treasury shares)

The acquisition by the Parent Company of equity instruments is presented separately at acquisition cost as a reduction in shareholders' equity in the consolidated balance sheet. In transactions carried out with own equity instruments, no result is recognised in the consolidated profit and loss statement.

Transaction costs related to own equity instruments are recorded as a reduction in reserves, once any tax effect has been considered.

b) Capital increase through the issuance of options convertible into own equity instruments

The Parent Company, in order to obtain financing for its expansion plans, uses the modality of issuing options on shares (“equity warrants - EW”). If, according to the issuance conditions of the options, the “fixed x fixed” exchange rule is not fulfilled, a financial derivative arises. The “fixed x fixed” rule is fulfilled if the only possible liquidation of the instrument is through the delivery of a fixed number of treasury shares for a fixed price.

The financial derivative that arises, since it is not considered a hedge, is recorded, at the time of its valuation, at each accounting close, at its fair value in the consolidated profit and loss account.

The fair value of the derivative is determined using option pricing models that take into account the life of the option, the market price of the underlying assets, the expected volatility of the shares and the risk-free interest rate for the life of the option.

Changes in the fair value of the derivative during its lifespan (i.e., from the signing date until the exercise of the option), are recognised in the consolidated profit and loss statement as a financial cost/income. On the date of conversion of the options into shares, the derivative is derecognised from the consolidated balance sheet and the sum of the cash received for the conversion, plus/minus the fair value accumulated by the derivative up to that moment, is recognised against shareholders' equity (equity plus issue premium).

When closing the interim consolidated financial statements on June 30th, 2022, as indicated in note 8.1.a.3, there are issues of Equity Warrants pending maturity, having recorded the corresponding financial derivative liability for an amount of 252,886 euros. As of December 31st, 2021, there is no recognised derivative in the consolidated balance sheet.

3.10 Cash and cash equivalents

Cash and other equivalent liquid means include cash on hand and sight bank deposits in credit institutions. Other highly liquid short-term investments are also included under this concept, provided that they are easily convertible into certain amounts of cash and have a maturity date that is not far in the future, not exceeding a period of three months.

In the consolidated statement of cash flow, the Group presents payments and receipts from financial assets and liabilities with high turnover at their net amount. For these purposes, the rotation period is considered high when the term between the acquisition date and the expiration date does not exceed six months.

3.11 Classification of assets and liabilities between current and non-current

The Group presents the consolidated balance sheet classifying assets and liabilities between current and non-current. For these purposes, current assets or liabilities are those that meet the following criteria:

- Assets are classified as current when they are expected to be realized or intended to be sold or consumed in the course of the normal operating cycle, are held primarily for trading purposes, and are expected to be realized within twelve months after the closing date, or it is about cash or other equivalent liquid assets, except in those cases in which they cannot be exchanged or used to settle a liability, at least within twelve months following the closing date.
- Liabilities are classified as current when they are expected to be settled in the normal operating cycle, are held primarily for trading, must be settled within twelve months from the closing date or there is no unconditional right to defer payment cancellation of liabilities during the twelve months following the closing date.
- Financial liabilities are classified as current when they must be settled within the twelve months following the closing date, even if the original term is for a period greater than twelve months, and there is a refinancing or long-term payment restructuring agreement that concluded after the closing date and before the consolidated financial statements are prepared.

The rest of the assets and liabilities that do not meet the conditions described are classified as "non-current".

3.12 Grants, donations and legacies

Refundable grants are recorded as liabilities until they meet the conditions to be considered non-refundable, while non-refundable grants are recorded directly in the net assets and are recognised as income on a systematic and rational basis in correlation with expenses derived from the grant. Non-refundable grants received from partners are recorded directly in own funds.

For these purposes, a subsidy is considered non-refundable when there is an individualised agreement for granting the subsidy, all the conditions established for its granting have been met and there are no reasonable doubts that it will be collected.

Monetary grants are valued at the fair value of the amount granted and non-monetary grants at the fair value of the asset received, both values referring to the time of recognition.

Non-refundable grants related to the acquisition of intangible fixed assets, material and real estate investments are allocated as income for the year in proportion to the amortisation of the corresponding assets or, where appropriate, when they are sold, valuation correction due to impairment or write-off. balance. On the other hand, non-refundable grants related to specific expenses are recognised in the consolidated profit and loss statement in the same year in which the corresponding expenses are accrued and those granted to compensate operating deficit in the year in which they are granted, except when they are used to offset the operating deficit of future years, in which case they are allocated in those years.

3.13 Corporation taxes

Given that each of the companies that make up the consolidable group pays the Corporation Tax individually, the consolidated expense for the tax has been obtained by adding the expenses that each of the consolidated companies have estimated for this concept, corrected by consolidation adjustments, and the same, have been calculated on the individual economic results corrected by tax criteria, and taking into account the applicable bonuses and deductions.

The expense (income) for income tax for the year is calculated, therefore, by adding the current tax, which results from applying the tax rate to the tax base for the year less the existing bonuses and deductions, and the variations produced during the year in the registered deferred tax assets and liabilities.

It is recognised in the consolidated profit and loss statement, except when it corresponds to transactions that are recorded directly in equity, in which case the corresponding tax is also recorded in consolidated equity, and in business combinations in which It is recorded as the other equity elements of the acquired business.

Deferred taxes are recorded for temporary differences existing at the date of the consolidated balance sheet between the tax base of assets and liabilities and their book values. The tax base of an asset is considered to be the amount attributed to it for tax purposes.

The tax effect of temporary differences is included in the corresponding headings of "deferred tax assets" and "deferred tax liabilities" of the consolidated balance sheet.

Deferred tax liabilities are recognised for all taxable temporary differences, except those arising from the initial recognition of goodwill or other assets and liabilities in a transaction that affects neither the tax result nor the accounting result and is not a business combination. .

For their part, deferred tax assets are only recognised to the extent that it is considered probable that each of the companies, individually, will have future taxable profits against which they can be made effective.

On the closing date of each financial year, the Group evaluates the recognised deferred tax assets and those that have not been previously recognised. Based on such evaluation, the Group proceeds to derecognise a previously recognised asset if its recovery is no longer probable, or proceeds to record any previously unrecognised deferred tax asset provided that it is probable that future tax profits will be available that allow your application.

Deferred tax assets and liabilities are valued at the tax rates expected at the time of their reversal, according to current approved regulations, and in accordance with the way in which the deferred tax asset or liability is rationally expected to be recovered or paid.

Deferred tax assets and liabilities, originating from transactions with direct charges or credits to equity accounts, are also recorded with a balancing addition in consolidated equity.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets and liabilities, regardless of the expected date of realization or settlement.

3.14 Employee benefits

a) Severance pay

Termination benefits are paid to employees as a result of the Group management's decision to terminate their employment contract before the normal retirement age. These benefits are recognised when a demonstrable commitment has been made to terminate the employment of workers in accordance with a detailed formal plan without the possibility of withdrawal. Benefits that are not going to be paid in the twelve months following the balance sheet date are discounted to their present value.

b) Payment commitments for retirement awards

In order to cover the payment commitments for prizes and/or retirement premiums, one of the subsidiary offices makes periodic allocations to the corresponding provisions, charged to the results of the year (see note 11.d). As of June 30th, 2022, the provision allocated for this concept amounts to 39,327 euros (29,756 euros as of December 31st, 2021), which is recorded under the caption Long-term provisions of the non-current liabilities of the consolidated balance sheet.

3.15 Transactions with payments based on equity instruments

Transactions with payments based on equity instruments are considered to be those that, in exchange for receiving goods or services, including services provided by employees, are settled by the Parent Company with its own equity instruments or with an amount based on the value of own equity instruments, such as stock options or share appreciation rights.

Recognition

The Group will recognise, on the one hand, the goods or services received as an asset or as an expense depending on their nature, at the time they are obtained and, on the other, the corresponding increase in equity if the transaction is settled with financial instruments. of equity, or the corresponding liability if the transaction is settled with an amount that is based on the value of equity instruments.

If the Group had the option of making the payment with equity instruments or in cash, it must recognise a liability to the extent that the Group had incurred a present obligation to settle in cash or with other assets; otherwise, it will recognise a net equity item. If the option corresponds to the lender or supplier of goods or services, the group will record a compound financial instrument, which will include a liability component, for the right of the other party to demand payment in cash, and a component of equity, for the right to receive remuneration with own equity instruments.

In transactions in which it is necessary to complete a certain period of services, the recognition will be made as such services are provided throughout said period.

Assessment

In transactions with employees that are settled with equity instruments, both the services provided and the increase in equity to be recognised will be valued at the fair value of the equity instruments assigned, referred to the date of the concession agreement.

Those transactions settled with equity instruments that have as counterpart goods or services other than those provided by the employees will be valued, if it can be estimated reliably, at the fair value of the goods or services on the date they are received. If the fair value of the goods or services received cannot be estimated reliably, the goods or services received and the increase in equity will be valued at the fair value of the equity instruments assigned, referring to the date on which the Group obtains the goods or the other party provides the services.

Once the goods and services received have been recognised, in accordance with the provisions of the preceding paragraphs, as well as the corresponding increase in equity, no additional adjustments will be made to equity after the vesting date.

In transactions that are settled in cash, the goods or services received and the liability to be recognised will be valued at the fair value of the liability, referring to the date on which the requirements for its recognition are met.

Subsequently, and until its settlement, the corresponding liability will be valued at its fair value on the closing date of each financial year, with any change in valuation occurring during the financial year being charged to the consolidated profit and loss statement.

The Parent Company's General Shareholders' Meeting held on June 21st, 2022, has approved the definitive Stock Options Plan for board members, managers, employees and collaborators. The purpose of the Plan is to meet the corporate objectives of the Group and its control, stimulating its expansion, improving the Group's management, focused on optimizing all aspects necessary to increase its long-term value, aligning the interests of employees and shareholders and encourage the permanence of key Group employees.

As of June 30th, 2022, none of the objectives of the Plan have been met, so there is no provision recognised in the consolidated balance sheet as of that date.

3.16 Provisions and contingencies

Provisions for liabilities, restructuring costs and litigation are recognised when they arise from a present obligation, whether legal or implicit, as a result of past events, it is probable that an outflow of resources will be necessary to settle the obligation and the amount is can reliably estimate. No provisions are recognised for future operating losses.

Provisions are valued at the present value of disbursements expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The adjustments in the provision due to its update are recognised as a financial expense as they accrue.

Provisions with a maturity of less than or equal to one year, with an insignificant financial effect, are not discounted.

When part of the disbursement necessary to settle the provision is expected to be reimbursed by a third party, the reimbursement is recognised as an independent asset, provided that its receipt is practically certain.

On the other hand, contingent liabilities are considered to be those possible obligations arising as a result of past events, the materialization of which is conditional on the occurrence or non-occurrence of one or more future events independent of the Group's will.

These contingent liabilities are not subject to accounting records, and their details are presented in the explanatory notes of the consolidated financial statements.

3.17 Recognition of income from provision of services

Operating income derived from contracts with customers is recorded as the transfer of control of the goods and services committed to said customers occurs. Control of a good or service refers to the ability to fully decide on the use of that item and obtain substantially all of its remaining benefits.

To apply this criterion, a process is followed consisting of the following successive stages:

- Identification of the contract with the client.
- Identification of the obligation to fulfil in the contract.
- Determination of the transaction price.
- Allocation of the transaction price to the obligations to be fulfilled, based on the sale prices of each good or service, or else, making an estimate of the sale price when it is not observable independently.
- Recognise income from ordinary activities as the company fulfils a committed obligation.

Revenue from the sales of goods or services are recognised at the fair value of the consideration received or to be received from them. Discounts due to early payment, volume or other types of discounts, as well as interest included in the face value of loans, are recorded as a reduction thereof. However, the Group includes interest included in commercial loans with a maturity of no more than one year that do not have a contractual interest rate, when the effect of not updating the cash flow is not significant.

Revenue is recognised when its amount can be measured reliably, it is probable that future economic benefits will flow to the Group and the specific conditions for each of the activities are met, as detailed below. It is not considered that the amount of income can be measured reliably until all the contingencies related to the sale have been resolved. The Company bases its estimates on historical results, taking into account the type of customer, the type of transaction and the specific terms of each agreement.

The Group recognises the revenue derived from the sale of the right to use (licensing) software for facial biometric recognition technology at the moment in which all the risks and benefits thereof are transferred, and the conditions indicated in paragraph above, being charged to the profit and loss account based on the licensing term, which may be in perpetuity or for periods defined in the contract. Income from services not yet provided is reflected in the balance sheet as short-term accruals.

Income from maintenance and support services is recognised based on the accrual of the provision of the service.

3.18 Leases

When the Group is the lessee – Operating lease

Leases in which the lessor retains a significant portion of the risks and rewards of ownership of the leased asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are charged to the consolidated profit and loss statement for the year in which they are accrued on a straight-line basis over the lease period.

3.19 Transactions in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of the transactions. The gains and losses in foreign currency resulting from the settlement of these transactions, and from the conversion at the spot exchange rates, at the end of the year, of the monetary assets and liabilities denominated in foreign currency, are recognised in the consolidated profit and loss.

3.20 Capital assets of an environmental nature

Assets of an environmental nature are considered to be assets that are used on a lasting basis in the Group's activities and whose main purpose is to prevent, reduce or repair the damage that, as a result of its activities, it may cause to the environment. Expenses derived from environmental activities are recognised as "Other operating expenses" in the year in which they are incurred.

The Board Members consider that, as of June 30th, 2022, there are no contingencies of an environmental nature that could be significant in relation to the equity, financial situation and consolidated results of the Group, therefore no provisions or contingencies have been recorded for this reason. .

3.21 Transactions with linked parties

The Group carries out all its operations with related parties at market values. Additionally, the transfer prices are adequately supported, so the Directors of the Parent Company consider that there are no significant risks in this regard that could give rise to significant liabilities in the future.

This valuation standard affects the related parties that are detailed in Rule 15 for the preparation of annual accounts of the General Accounting Plan. In this regard, a party is considered linked to another when one of them exercises, or has the possibility of exercising, directly or indirectly, or by virtue of pacts or agreements between shareholders or unit-holders, control over another or significant influence in the making financial and operational decisions of the other.

Parties related to the Group are considered to be natural persons who directly or indirectly hold some share in the voting rights of the Parent Company, or of the subsidiary offices, in a way that allows them to exercise significant influence over one or the other, as well as their close relatives, key personnel of the Group, including Directors and Executives, together with their close relatives, as well as entities over which the aforementioned persons may exercise significant influence.

4. Fixed assets

The detail and movement of the items included in "Fixed assets" is as follows:

	Euros				
	Balance as of 12/31/2021	Adds. combin.	Adds.	Transfers	Balance as of

		busines s			06/30/202 2
Cost:					
Investigation	56,958	---	---	---	56,958
Development	47,026	---	2,042,55 9	(47,026)	2,042,559
Industrial property	65,992	---	6,305	---	72,297
Computer software and other IT office applications	8,508,148	25,141	26,460	47,026	8,606,775
Prepayments	---	---	16,750	--	16,750
Total Cost	**8,678,124**	**25,141**	**2,092,07 4**	**---**	**10,795,33 9**
Accumulated amortisation:					
Investigation	(56,958)	---	---	---	(56,958)
Development	(2,070)	---	(78,522)	2,070	(78,522)
Industrial property	(13,604)	---	(5,408)	---	(19,012)
Computer software and other IT office applications	(3,510,460)	(2,600)	(720,372)	(2,070)	(4,235,50 2)
Total Accumulated Amortisation	**(3,583,092)**	**(2,600)**	**(804,303)**	**---**	**(4,389,99 5)**
Net Book Value	**5,095,032**				**6,405,344**

	Euros				
	Balance as of 12/31/2020	**Adds. combin. busines s**	**Adds.**	**Transfers**	**Balance as of 31/12/202 1**
Cost:					
Investigation	56,958	---	---	---	56,958
Development	930,592	---	2,100,208	(2,983,77 5)	47,026
Industrial property	54,447	---	11,544	---	65,992
Computer software and other IT office applications	5,388,582	---	135,791	2,983,775	8,508,148
Total Cost	**6,430,580**	**---**	**2,247,544**	**---**	**8,678,124**
Accumulated amortisation:					
Investigation	(56,958)	---	---	---	(56,958)
Development	---	---	(66,654)	64,584	(2,070)
Industrial property	(4,133)	---	(9,471)	---	(13,604)
Computer software and other IT office applications	(2,311,047)	---	(1,134,82 9)	(64,584)	(3,510,46 0)
Total Accumulated Amortisation	**(2,372,138)**	**---**	**(1,210,95 4)**	**---**	**(3,583,09 2)**
Net Book Value	**4,058,442**				**5,095,032**

a) Development

The Group continues with its investment policy and improves its current facial Biometría applications. Expenses capitalised during the six-month period ended on June 30th, 2022 and during the financial year ended December 31st, 2021 correspond to the following milestones:

	Euros	
Description:	**06.30.2022**	**12.31.2021**
Improvements Software Development Kit (SDK	1,483,466	1,641,621
Platform as a service (PAAS)	372,347	458,588
Total internal development	**1,855,813**	**2,100,209**

Development acquired from third parties	186,746	---
Total	**2,042,559**	**2,100,209**

Said expenses are being recorded under the subsection of Development as there are well-founded reasons to consider commercial success upon completion, proceeding at that time to its recording under the heading of the fixed asset corresponding to its nature. In the event that there were well-founded criteria to consider that it was not completed successfully, these costs would be recorded as losses from fixed assets. Practically all of the activity of Development of new applications, or improvement of the current ones, has been developed internally (except for an amount of 186,746 euros), and has been recorded through the activation of production costs against the subsection of "Work carried out by the Group for its assets" in the consolidated profit and loss statement.

The development activated as of June 30th, 2022 and December 31st, 2021 have mainly consisted of improvements to security against fraud, interactive user guides during registration and tools for the integration of technology in cross-platform applications.

b) Industrial property

Facephi Biometría, SA is the owner of the registered trademarks *Selphi and Facephi Beyond Biometrics* ownership that grants protection of said trademarks both in the territory of the European Union (EUTM 015106354 and EUTM 015114853, respectively) and in the territory of the United States of America by virtue of the trademarks registered by the USPTO (American Patent and Trademark Office, certificates no. 79190080 and 79190126).

Likewise, the European Union Trademark certificates have been obtained with registration numbers MUE 017896710 *Look&Phi*; EUTM 017948110 *inPhinite*; EUTM 017948113 *4Phingers*; EUTM 017948116 *Phivox*; EUTM 017948119 *SignPhi*; EUTM 017948878 *SelphID*.

Currently, the Group has as assets the industrial property rights of the following registered trademarks:

• FACEPHI BEYOND BIOMETRICS	• PHIVOX
• SELPHI, YOU BLINK, YOU'RE IN	• SELPHI ID
• LOOK & PHI	• SIGNPHI
• INPHINITE	

The international expansion and presence in LATAM territory has motivated the Group's administrative body to adopt decisions aimed at extending the geographical scope of protection of its Brands. For this reason, the brands *Facephi Beyond Biometrics* and *SelphID Identity Validation* are duly registered, either as an international brand with designation of territory, or as national brands in all the markets in which the Group is present: APAC, LATAM and EMEA.

<u>Intellectual Property Law</u>

Since the entry into force of the Law 1/2019, of February 20th, on Business Secrets, technology companies have a scenario where legal certainty regarding knowledge considered secret (algorithms, know-how, etc.) is greater than the one existing to date, with the consequence of greater protection against possible violations of business secrets.

However, the doctrine and jurisprudence on the matter agree that, for the application of the standard to be truly effective, not only must it be mentioned, but also companies must equip themselves with tools that configure a security environment, protection, reliability and traceability.

The Group has the following technical certifications:

- NATIONAL SECURITY SCHEME (ENS in Spanish): initially designed for the field of the Spanish electronic Administration and now also applied to all service providers to public entities, it establishes the security policy in the use of electronic means and the basic principles and requirements minimum for the adequate protection of the information.
- ISO 30107-3 Level 1 and 2 - INTERNATIONAL SCOPE: consists of a set of guidelines whose purpose is to subject a biometric technology to the most effective attacks possible to break its security measures, in order to assess to what extent it is reliable against identity theft attempts.
- ISO 27001 - INTERNATIONAL SCOPE: The central axis of ISO 27001 is to protect the confidentiality, integrity and availability of information in a company. It does this by investigating what potential problems could affect the information (i.e. risk assessment) and then defining what needs to be done to prevent these problems from occurring (i.e. risk mitigation or treatment).

c) Computer software and other IT office applications

The Group, in accordance with the criteria for the identification of fixed assets, transfers, according to their nature (computer applications), the production cost of software improvements and utilities developed by the Group companies and that have entered the of commercialisation for the generation of own income of its activity.

d) Fully amortised fixed assets

As of June 30th, 2022 and December 31st, 2021, the Group maintains fully amortised fixed assets in use, according to the following detail:

	Euros	
	06.30.2022	**12.31.2021**
Investigation	56,958	56,958
Computer software and other IT office applications	1,356,343	1,353,953
Total Cost	**1,413,301**	**1,410,911**

e) Other Information

In the 6-month period ended on June 30th, 2022, the Group has not been a beneficiary of subsidies related to fixed assets; however, in previous years, the Group companies recognised subsidies received for capitalized development expenses, for a gross amount of 180,390 euros (see note 8.3).

As of December 31st, 2021, there are no firm commitments to purchase or sell fixed assets. However, as of June 30th, 2022, intangible fixed asset advances have been made, for an amount of 16,750 euros, on account of the investment in a new ERP accounting software.

	Euros	
	Prepayment	**Commitment**
Computer software and other IT office applications	16,750	49,717

No financial expenses have been capitalised and the Group has no fixed assets abroad. All intangible fixed assets are subject to exploitation and there are no restrictions or guarantees on their elements. Nor have valuation corrections for impairment been recognised or reversed for any item of fixed assets.

f) Impairment test of non-current assets

The recoverable amount of non-current assets has been evaluated considering a single Cash Generating Unit (CGU) by estimating its value in use, using cash flow projections based on the business plan and the estimates made by Management for the next 5 years. The discount rate applied to the cash flow projections has been 9.1% and cash flow after the five-year period are extrapolated using a 2% growth rate. It has been concluded that there is no impairment in the value of the assets.

Key assumptions for calculating valuation in use

The calculation of the valuation in use has been based on the following hypotheses:

- Growth: the Group has a prudent expectation, based on information from the Biometría sector, of maintaining the growth rate at 20% for the period of financial projections (2022-2026), and 2% per year from 2027. The Group continues to invest in human resources for commercial activity and business development both in the countries where it is present, as well as opening new offices and developing sales channels that allow it to increase its turnover.

- EBITDA: the Group estimates that its EBITDA will experience a progressive increase due to the acquisition of new contracts, optimizing its human resources structure.
- Discount rate: a WACC has been used in accordance with the WACC calculated by the analysts who follow the Group.
- CAPEX: the Group estimates that its investments in fixed assets, mainly in the development and improvement of its technology, will continue to grow in line with the growth in turnover and its human resources structure.

Sensitivity to changes in assumptions

Given the differences between the book values of the net assets of the Company under analysis and their value in use, Management considers it highly unlikely that a reasonable and possible change in any of the hypotheses indicated (e.g. increase in WACC by 1 % and/or decrease in growth rate by 1%) supposes that the book value exceeds its recoverable value.

5. Property, Plant and Equipment

The detail and movement of the items included in Property, Plant and Equipment is as follows:

	Balance as of 12.30.20	Adds. Comb Neg	Adds.	Retirements	Balance as of 12.31.21	Adds. Comb Neg	Adds.	Retirements	Balance as of 06.30.2022
Cost:									
Technical installations	1,347	---	---	---	1,347			---	1,347
Machinery	---	---	---	---	---	717	---	---	717
Other facilities	32,167	---	---	---	32,167	---	---	---	32,167
Furniture	74,986	---	8,094	---	83,080	8,207	---	---	91,287
Information equipment and processes	139,062	3,081	295,938	---	438,081	22,542	147,447	(32)	608,038
Transport elements	---	---	---	---	---	---	26,273	(26,273)	---
Other fixed assets	9,213	---	---	---	9,213	---	---	---	9,213
Prepayments	---	---	---	---	---	---	23,010	---	23,010
Total Cost	**256,773**	**3,081**	**304,032**	**---**	**563,887**	**31,466**	**196,730**	**(26,304)**	**765,778**
Accumulated amortisation:									
Other facilities	(3,628)	---	(3,217)	---	(6,845)	---	(1,608)	---	(8,453)
Machinery	---	---	---	---	---	---	---	---	---
Furniture	(22,079)	---	(6,705)	---	(28,784)	---	(3,313)	---	(32,097)

Information equipment and processes	(38,303)	(700)	(62,604)	---	(101,606)	---	(60,370)	---	(161,976)
Transport elements	---	---	---	---	---	---	---	---	---
Other fixed assets	(3,438)	---	(1,150)	---	(4,587)	---	(371)	---	(4,958)
Total accumulated amortisation	**(67,448)**	**(700)**	**(73,675)**	**---**	**(141,823)**	**---**	**(65,663)**	**---**	**(207,485)**
Net Book Value									
Technical installations	1,347				1,347				1,347
Machinery	---				---				717
Other facilities	28,538				25,322				23,713
Furniture	52,906				54,296				59,189
Information equipment and processes	100,759				336,475				446,063
Other fixed assets	5,775				4,625				4,254
Prepayments	---				---				23,010
Total Net Book Value	**189,325**				**422,064**				**558,293**

Additions for investments made in property, plant and equipment, during the six-month period ended June 30th, 2022 and during the 2021 financial year, correspond mainly to equipment for information processes for new personnel incorporations.

During the year 2022, the Group has acquired a vehicle that was leased under an operating lease, for an amount of 26,273 euros. After its acquisition, it has been sold to the secretary of the Board of Directors of the parent company for the same amount, having had no impact on the consolidated profit and loss statement (see note 12).

a) Fully amortised assets

As of June 30th, 2022, the Group maintains fully depreciated property, plant and equipment that remain in use, at a cost of 37,888 euros (27,848 as of December 31st, 2021).

b) Insurance policies

The Group has contracted insurance policies to cover the risks to which the property, plant and equipment are exposed. The coverage of these policies is considered sufficient.

c) Other Information

No financial expenses have been capitalized, and there are no restrictions or guarantees on the items of property, plant and equipment. Nor have valuation corrections for impairment been recognised or reversed for any item of fixed assets.

As of December 31st, 2021, there are no firm commitments to purchase or sell fixed material. However, as of June 30th, 2022, progress has been made on property, plant and equipment, for an amount of 23,010 euros, on account of the preliminary construction project for the future offices of the Group, which are expected to be completed in the next financial year 2023:

	Euros	
	Prepayment	**Commitment**
Constructions	23,010	92,040

d) Operating leases:

The amount of the minimum future payments corresponding to the non-cancellable operating leases signed by the Group is as follows:

	Euros	
Minimum future payments	**06.30.2022**	**2021**
Up to one year	57,258	125,138
Between one and five years	1,313	20,109
More than 5 years	---	---
Total	**58,572**	**145,248**

The amount of the lease payments recorded as an expense for the period in the consolidated profit and loss statement, as well as the most significant characteristics of the lease agreements in force, are as follows:

Description of the lease	Expenses 06.30.22	Expenses 2021	Maturity date	Renovation	Price update criteria
Offices, garages and storage room	50,334	79,153	05/06/2025	N/A	YES (CPI)
Offices and other Group subsidiaries	26,830	23,052	Several	N/A	N/A
IT equipment	806	833	05/21/2024	N/A	NO
IT equipment	892	2,026	06/18/2022	N/A	NO
IT equipment	550	825	12/18/2023	N/A	NO
Transport elements	---	16,439	01/03/2022	N/A	NO
Transport elements	29,007	46,446	01/08/2023	N/A	NO
Cloud rental and others	152,869	---	N/A	N/A	N/A
Total	**261,288**	**168,774**			

During the 2017 financial year, the Parent Company signed two vehicle operating leasing contracts, initially intended for the use of members of the Board of Directors. The monthly fee amounts to 1,256 euros per vehicle and the maturity date is set for January 3rd, 2022. Given that at the time of initial recognition the possibility of exercising the purchase option at maturity was not contemplated, both contracts were classified as operating leases. During the 2017 financial year, the Parent Company signed two vehicle operating leasing contracts, intended for the use of members of the Board of Directors. The monthly fee amounts to 2,223 euros per vehicle and a maturity date of 3 years.

Since October 1st, 2017, the Parent Company maintains an operating lease contract for the offices from which it carries out its activity. It has a validity period of 5 years and a monthly rent of 2,842 euros, cancellable by means of 2 months' notice and compensation for withdrawal of 3 months. As a guarantee, the Parent Company paid an amount of 5,600 euros, as well as an additional guarantee of 2,800 euros.

Due to the fact that the Group has implemented telecommuting measures for workers whose duties allow it, at the date of preparation of these interim consolidated financial statements, the Group's Management has agreed with the lessor to terminate the lease with effect on September 30th, 2022.

In May 2020, and in order to expand its head office and corporate offices, the Parent Company signed a new lease contract for a period of 5 years and a monthly rent of 2,493 euros, which can be cancelled by giving 2 months' notice once the first 3 years of the contract, and with compensation for withdrawal of 3 instalments. An amount of 4,986 euros was paid as a deposit.

On the other hand, due to the fact that the Parent Company is taking measures to modernize its work model, on March 4th, 2022 it has signed a new lease contract in a business centre in the city of Alicante, for a period of 10 years from the completion of the works to be carried out or from December 31st, 2022, whichever comes first, and with a mandatory 3-year period. The lessor grants a grace period of 12 months from the completion of the work or from December 31st, 2022. An amount of 34,000 euros was paid as a deposit.

6. Information on nature and extent of risks arising from financial instruments

Risk management is aimed at establishing the necessary mechanisms to control the Group's exposure to different types of risks: market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. Risk management is controlled by the Parent Company's Board of Directors with the support of the Management control departments.

Credit risk

Credit risk arises from the possible loss caused by non-compliance with the contractual obligations of the Group's counterparties, that is, due to the lack of collection of financial assets in the terms of the amount and term established. Regarding banks and financial institutions, only entities of recognised prestige and solvency are accepted.

The main debtors of the Group do not present specific credit risks for the cancellation of the balances pending collection at the end of the year due to their high credit solvency. The detail by date of seniority of Trade Payables and other accounts receivable, as of June 30th, 2022 and December 31st, 2021, is as follows:

	06.30.22	**12.31.21**
Not past due long term	1,357,024	1,024,419
Not past due short term	7,434,528	7,323,333
Past due, but not doubtful	297,519	685,990
Doubtful	1,237,214	1,177,596
	10,326,285	10,211,338
Impairment corrections (note 7.3)	(1,237,214)	(1,177,596)
Total	**9,089,071**	**9,033,742**

Liquidity risk

Prudent management of liquidity risk implies maintaining sufficient cash and marketable securities, the availability of financing through a sufficient amount of committed credit facilities and having the capacity to liquidate market positions. The liquidity risk is considered sufficiently mitigated by the expansion of our financing lines with financial entities (note 9), as well as the Convertible debt issuance financing agreements signed with the fund Nice & Green, SA (see note 8.1).

Market financial risks

a. Interest rate risk

   Interest rate risk arises from long-term external resources. External resources issued at variable rates expose the Group to interest rate risk on cash flow. External resources at a fixed interest rate expose the Company to interest rate risks on the fair value.

b. Exchange rate risk

   The Company operates internationally and, therefore, is exposed to exchange rate risk for foreign currency transactions. The exchange rate risk arises from recognised assets and liabilities. The detail of financial assets and liabilities denominated in foreign currency, as well as transactions denominated in foreign currency, is presented in note 11.

The Group's financial management cannot predict the effects of exchange rates on future operating results due to the potential volatility of the foreign exchange markets. Currently, the Group does not use hedging derivatives to hedge its exposure to other currencies.

c. Interest rate risk on cash flow

Income and cash flow from operating activities are largely independent of changes in market interest rates.

There are no significant interest rate risks in cash flow.

d. Price risks

There are no other significant price risks.

Fair Value estimate

The Group assumes that the book value of the credits and debits for commercial operations approximates the fair value. The fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flow at the current market interest rate available to the Group for similar financial instruments.

7. Financial assets

7.1 Analysis by categories

The book value of each of the categories of financial assets established in the ninth registration and valuation standard of the GAP, in accordance with the information described in note 3.7, except Cash and other equivalent liquid assets (see section 7.4), is the following:

	Euros			
	Short term		Long term	
	06.30.2022	12.31.21	06.30.2022	12.31.21
Equity instruments:				
Valued at cost (note 7.3)	---	---	---	125,063
Credits, derivatives and others:				
Assets at amortised cost				
Trade payables and other accounts receivable (note 7.3) (*)	7,733,202	8,010,078	1,357,024	1,024,419
Employee loans	2,200	2,600	1,700	1,700
Other financial assets (note 7.3)	40,011	41,607	155,808	117,424
TOTAL	**7,775,413**	**8,054,285**	**1,514,532**	**1,268,606**

(*) Does not include balances with Public Administrations.

For financial assets recorded at cost or amortised cost, there are no significant differences between their book value and their fair value.

7.2 Analysis by maturity

The amounts of financial assets with determined or determinable maturities, classified by year of maturity, are as follows:

June 30th 2022

	Euros					
	06.30.23	06.30.24	06.30.25	06.30.26	Later years	Total
Financial assets						
Trade debtors and accts. receivable	7,732,673	1,357,024	---	---	---	9,089,697
Employee loans and prepayments	2,729	1,700	---	---	---	4,429
Other financial assets	40,011	12,898	79,315	---	63,595	195,819
	7,775,413	**1,371,622**	**79,315**	**---**	**63,595**	**9,289,945**

As of December 31st, 2021:

	Euros					
	2022	2023	2024	2025	Later years	Total
Financial assets						
Equity instruments	---	---	---	---	125,063	125,063
Trade debtors and accts. receivable	8,010,078	1,024,419	---	---	---	9,034,497
Employee loans	2,600	1,700	---	---	---	4,300
Other financial assets	41,607	8,400	---	79,315	29,709	159,031
	8,054,285	**1,034,519**	**---**	**79,315**	**154,772**	**9,322,891**

7.3 Credits and other accounts receivable

	Euros	
	06.30.22	12.31.21
Long-term loans and accounts receivables:		
Equity instruments	---	125,063
Employee loans	1,700	1,700
Other financial assets	155,808	117,424
	157,508	**244,187**
Long-term trade debtors:	**1,357,024**	**1,024,419**
Short-term loans and accounts receivable:		
Employee loans	2,200	2,600
Other financial assets	40,011	41,607
	42,211	**44,207**
Short-term trade debtors and other accounts receivable:		
Customers by provision of services	8,969,260	9,186,919
Impairment of credits for commercial operations	(1,237,214)	(1,177,596)
Several debtors	626	755
Employee prepayments	529	---
Current tax assets (note 10.1)	(733)	---
Other credits with Public Administrations (note 10.1)	428,880	426,396
	8,161,349	**8,436,473**

Investments in long-term equity instruments

On December 21st, 2020, the Group acquired 125,000 shares, with a nominal value of 1 Euro each, representing 21.04% of the share capital of Ama Movie, AIE Said entity, incorporated for an indefinite period of time on March 15th, 2018, is domiciled in Madrid and its corporate purpose is the production, production, distribution and marketing of theatrical, cinematographic and audio-visual productions. Its tax identification code is V-88067806.

The Company has sold the aforementioned investment for an amount of 125 euros, having generated financial losses amounting to 124,938 euros, which are recorded under the heading "Impairment and results from disposal of financial instruments" in the consolidated profit and loss statement attached, as of June 30th, 2022.

Employee loans

On November 11th, 2020, the Group constituted a loan in favour of one of its employees, for an amount of 6,500 euros and with a maximum maturity of 33 months, to be repaid in monthly instalments of 200 euros, for which it was recorded in the short- and long-term amounts of 2,400 euros and 4,100 euros, respectively. As of June 30th, 2022, the amount pending collection amounts to 3,900 euros, of which 2,200 euros appear in the short term and 1,700 euros in the long term.

Impairment of trade credits

The movement of impairment losses on accounts receivable from customers is as follows:

	Euros	
	06.30.22	**12.31.21**
Opening balance	**1,177,596**	**1,102,302**
Credit impairment losses	59,618	75,294
Impairment reversal	---	---
Final balance	**1,237,214**	**1,177,596**

The Group maintains collection conditions with its customers for a deferral period of up to one year.

The Group's Management understands that the credit risk is sufficiently guaranteed given the solvency of the debtors with whom it works (mainly financial entities).

Other short-term and long-term financial assets

The heading "Other long-term financial assets", as of June 30th, 2022, includes the deposits corresponding to the lease contracts of the Group's offices, for an amount of 51,884 euros (13,386 euros as of December 31st, 2021), as well as 74,329 euros (same amount as of December 31st, 2021) as a provisional guarantee of the public tender awarded by AENA in the 2021 financial year, for the supply and updating of a facial Biometría solution.

Likewise, there are other financial assets of the subsidiary office Facephi APAC for an amount of 29,595 euros (29,709 euros as of December 31st, 2021).

On the other hand, as of December 31st, 2021, the heading "Other short-term financial assets" included an amount of 8,829 euros corresponding to a fixed-term deposit constituted by a nominal amount of 10,000 dollars and maturing on February 14, 2022, as a guarantee before a client, for the provision of licensing, support and consulting services. Said tax has been settled at maturity. Likewise, as of June 30th, 2022, 31,344 euros are included (same amount as of December 31st, 2021) corresponding to a fixed-term deposit constituted by a nominal amount of 35,500 dollars and maturing on July 8th, 2022, as collateral before a client, for the provision of software licensing, support and updating services.

7.4 Cash and other equivalent liquid assets

The heading of cash and other equivalent liquid assets, of the attached consolidated balance sheet, is broken down as follows:

	Euros	
	06.30.22	**12.31.21**
Cashier, euros	1,424	1,424
Cashier, foreign currency	918	---
Banks and credit institutions c/c sight, euros	1,131,530	697,026
Banks and credit institutions c/c sight, f. c.. (note 11.f)	3,121,655	713,755
Total	**4,255,527**	**1,697,327**

The treasury chapter in Banks and Financial Institutions includes an amount of 289,815 euros (355,264 euros as of December 31st, 2021) corresponding to financial deposits in the respective securities trading and settlement entities of Euronext and BME Growth, and the funds of which are not freely available by the Group, unless the liquidity provider considers that the cash or shares at its disposal is excessive.

When closing the financial year, there is no type of restriction on the availability of balances held in sight accounts, except for those mentioned above.

As a result of the financial restructuring agreement concluded on December 14th, 2020, the Parent Company has constituted a pledge right on current accounts and other liquid assets for an amount of 3,565,630 euros (2,244,829 euros, as of December 31st, 2021) (see note 9.3.a).

8. Net assets

8.1 Own resources

The detail and movement of the Company's equity during the year ended, as of June 30th, 2022 and December 31st, 2021 is shown in the attached consolidated statement of changes in equity.

a) Capital stock and Issue premium

As of June 30th, 2022 and at the end of the previous year, the composition of the share capital and the share premium of the Parent Company is as follows:

	06.30.22		12.31.21	
	Capital stock	Issue premium	Capital stock	Issue premium
Registered	644,690	12,834,136	605,373	10,074,525
	644,690	**12,834,136**	**605,373**	**10,074,525**

The detail of the movements of the share capital and the share premium deeded as of June 30th, 2022 and December 31st, 2021 are shown below:

	Number of shares	Nominal value	Capital stock	Issue premium
Opening balance as of January 1st, 2022	**15,134,322**	**0.04**	**605,373**	**10,074,525**
Capital stock increase 03.21.2022	209,045	0.04	8,362	649,254

Capital stock increase 02.06.2022	773,886	0.04	30,955	2,110,358
End balance as of June 30th, 2022	**16,117,253**	**0.04**	**644,690**	**12,834,136**

	Number of shares	Nominal value	Capital stock	Issue premium
Opening balance as of January 1st, 2022	**14,428,519**	**0.04**	**577,141**	**7,222,153**
Capital stock increase 03.25.2021	237,456	0.04	9,498	1,011,551
Capital stock increase 29.04.2021	281,001	0.04	11,240	1,138,281
Capital stock increase 06.01.2022	187,346	0.04	7,494	702,540
End balance as of June 30th, 2022	**15,134,322**	**0.04**	**605,373**	**10,074,525**

On December 14th, 2020, the Parent Company signed a second financing agreement with the entity Nice & Green, SA, with similar characteristics to the previous one (signed in September 2019), which is why the Extraordinary General Meeting of Shareholders of the Parent Company, held on January 25th, 2021, agreed to delegate to the Board of Directors, in accordance with article 297.1.b) of the Capital Company Act (LSC in Spanish), the power to issue convertible warrants (EW) in shares of the Parent Company, for a maximum conversion amount of 20 million euros, as well as to increase the share capital by the amount that is necessary in order to attend to the conversion of the warrants, all with the exclusion of the preferential subscription right, of in accordance with article 417 of the LSC, with Nice & Green, SA being the sole recipient of the issue. Said delegated power is conditional on the total of the share capital increases that are agreed, in one or several times, not exceeding in any case more than half of the share capital at this time, that is, 288,570.38 euros.

The conversion price into shares contemplated in the financing agreement may not be less than 130% of the nominal value of the shares of the Parent Company, that is, a lower price per Equity Warrant of 0.052 euros, nor higher than the resulting conversion price 92% of the lowest weighted average price of the three days prior to the financial year date. The investment commitment will end on December 31st, 2022.

The funds obtained with this new financing agreement will be used to accelerate the organic growth that the Group is experiencing in geographical areas such as Latin America, the United States and Asia, among others, as well as to continue with its international expansion, reinforce and expand the workforce in the search for excellence and commitment to the objectives of the Parent Company and thus strive for product excellence, in response to the increasingly demanding demand of the market.

a.1) Stock and Issue premium deeded during 2022

The Board of Directors of the Parent Company, in exercise of the aforementioned delegated powers, proceeded to issue and convert into shares the following capital increase operations during the first half of 2022:

Issuance of equity warrants for February 2022

On February 16th, 2022, the Board of Directors has adopted the resolution to issue 48,076,923 warrants convertible into shares of the Parent Company for a maximum conversion amount of 2,500,000 euros (the "*Equity Warrants (FEBRUARY 2022)*"), with Nice & Green being the sole recipient of the issue.

The conversion communications of EW for shares made by Nice & Green between February 16th and March 21st, 2022, for an amount of 599,996 euros, are as follows:

Notification date	Amount	EW conversion	Financial year price	Nominal	Issue premium	Capital stock	Issue premium
02/25/2022	99,999	32,290	3.0969	0.04	3.0569	1,291.60	98,707.30

02/28/2022	299,998	95,849	3.1299	0.04	3.0899	3,833.96	296,163.83
09/03/2022	200,000	80,906	2.4720	0.04	2.4320	3,236.24	196,763.39
Total	**599,996**	**209,045**				**8,362**	**591,635**

In relation to the previous communications, on March 21st, 2022, the corresponding conversion and capital increase agreement was made public, in accordance with the deed granted by the notary of the College of Castilla-La Mancha, Mr. Iván Castejón Fernández -Trujillo, with number 331 of its protocol, being registered in the Commercial Registry of Alicante on April 6th, 2022.

Likewise, between March 21st and June 2nd, 2022, Nice & Green makes the following conversion communications of EW for shares, for a total amount of 1,899,994 euros:

Notification date	Amount	EW conversion	Financial year price	Nominal	Issue premium	Capital stock	Issue premium
04/01/2022	99,999	38,172	2.6197	0.04	2.5797	1,526.88	98,472.31
05/03/2022	249,998	104,558	2.3910	0.04	2.3510	4,182.32	245,815.86
05/13/2022	549,999	237,642	2.3144	0.04	2.2744	9,505.68	540,492.96
05/19/2022	499,999	212,983	2.3476	0.04	2.3076	8,519.32	491,479.57
05/27/2022	499,999	180,531	2.7696	0.04	2.7296	7,221.24	492,777.42
Total	**1,899,994**	**773,886**				**30,955**	**1,869,038**

On June 2nd, 2022, the corresponding conversion and capital increase agreement was made public, in accordance with the deed granted by the notary of the College of Castilla-La Mancha, Mr. Iván Castejón Fernández-Trujillo, with number 645 of its protocol, being registered in the Commercial Registry of Alicante on June 16th, 2022.

<u>Effect on the profit and loss statement and on net assets as of June 30th, 2022 of the issues of convertible EW and their conversion into own equity instruments</u>

In accordance with the valuation criteria and rules described in note 3.9.b) and with the EW issuance conditions, since the "fixed x fixed" swap rule is not met, a financial derivative is revealed during the life of the issue and until the moment of conversion into shares.

Changes in the fair value of the derivative during its life (i.e., from the date of signing until the exercise of the option), have been recognised as of June 30th, 2022 for a total amount of 298,928 euros (380,604 euros during the financial year 2021) in the heading "*17. Variation in the fair value of financial instruments*" of the consolidated profit and loss statement as a financial cost and reflecting its counterpart in the consolidated equity as a higher issue premium, equivalent to the sum of the cash received for the conversion less the fair value accumulated by the derivative up to that moment , all according to the following detail:

<u>As of June 30th 2022</u>

	Number of shares	Conversion Price	Fair value	Issue premium/Cost
Capital stock increase 03.21.2022	32,290	3.0969	3.41	10,110
Capital stock increase 03.21.2022	95,849	3.1299	3.45	30,681
Capital stock increase 03.21.2022	80,906	2.4720	2.68	16,828
Capital stock increase 02.06.2022	38,172	2.6197	2.94	12,226
Capital stock increase 02.06.2022	104,558	2.3910	2.53	14,534
Capital stock increase 02.06.2022	237,642	2.3144	2.56	58,365

Capital stock increase 02.06.2022	212,983	2.3476	2.75	85,704
Capital stock increase 02.06.2022	180,531	2.7696	3.16	70,479
				298,928

As of December 31st, 2021

	Number of shares	Conversion Price	Fair value	Issue premium/Cost
Capital stock increase 03.25.2021	237,456	3.5796	4.2999	171,052
Capital stock increase 04.29.2021	281,001	3.5586	4.0908	149,523
Capital stock increase 06.01.2022	187,346	3.4695	3.7899	60,037
				380,611

a.2) Capital stock and Issue premium and Issue premium deeded in previous financial years

The conditions of the capital issues executed and deeded in previous financial years, carried out by virtue of the financing framework agreements signed on September 16th, 2019 and December 14th, 2020 with the entity Nice & Green, SA, were reported in detail in the reports of the individual annual accounts of the Parent Company for said years. Section a.1) above also details the equity impact of each of the issues and capital increases, carried out in the first half of 2022 and in 2021.

a.3) Issues of convertible equity warrants and capital increase in progress

On June 8th, 2022, the Board of Directors has adopted the agreement, under the delegation of the Extraordinary General Shareholders' Meeting of January 25th, 2021, to issue 48,076,923 warrants convertible into shares of the Parent Company, for a maximum conversion amount of 2,500,000 euros (the "Equity Warrants (JUNE 2022)"), with Nice & Green being the sole recipient of the issue.

On June 15th, 2022, the warrant issuance agreement was made public (JUNE 2022), by means of a deed executed by the notary of the College of Castilla-La Mancha, Mr. Iván Castejón Fernández-Trujillo, with number 701 of his protocol.

As of June 30th, 2022, the issuance of Equity Warrants (JUNE 2022) is in progress, which is why the Group's Management has recognised the variation in the fair value of the derivative, for a total amount of 252,886 euros, in the epigraph "*17. Variation in the fair value of financial instruments*" in the consolidated profit and loss account as of that date, with a credit to the Liabilities for short-term financial derivatives account (see note 9.3).

On the other hand, as reported in note 15 of Post-closing events, at the date of preparation of these interim consolidated financial statements, and in relation to the issuance of the Equity Warrants (JUNE 2022), a capital increase with an issue premium for an amount of 1,500,000 euros, for which the share capital amounts to 677,070 euros, fully subscribed and paid, and divided into 16,926,751 shares, numbered from 1 to 16,926. 751 represented by book entries, with a face value of four-euro cents (€0.04) each, of the same class, equal, cumulative and indivisible."

a.4) Significant holdings

Pursuant to the provisions of article 228 of the Consolidated Text of the Securities Market Law, approved by Legislative R.D. 4/2015, of October 23rd, as well as in Circular 3/2020 of BME Growth, as of June 30th, 2022, the shareholders who hold a percentage of participation equal to or greater than 5% in the share capital of the parent company, directly or indirectly, are informed about, who are the following:

	%	
	30/06/2022	31/12/2021
Salvador Martí Varó	8.54	8.69
Javier Mira Miró (*)	5.99	7.46
Juan Alfonso Ortiz Company (**)	6.89	7.66
José Cristóbal Callado Solana	5.94	6.10

(*) 7.35% taking into account the 141,470, 35,196 and 33,000 shares lent as collateral to Nice & Green according to the HR of 18-9-2019, the IP of 12-15-2020, and the OIR of 7-1-22 , respectively.

(**) 7.55% taking into account the 150,586, 26,080 and 43,666 shares lent as collateral to Nice & Green according to the HR of 9-18-2019, the IP of 12-15-2020, and the OIR of 7-1-22 , respectively.

All issued shares have been paid up. There are no restrictions for their free transfer, except those provided as collateral to Nice & Green.

b) Treasury shares

The total amount of treasury shares of the Parent Company, as of June 30th, 2022, amounts to 574,801 euros (556,510 euros as of December 31st, 2021) and corresponds to 149,249 shares (126,903 shares at the end of the previous year) that represent 0 .93% (0.84% as of December 31st, 2021) of the share capital. Therefore, it is below the maximum limit of 10% established in article 509 of the Spanish Capital Companies Act.

On February 27th, 2020, the General Shareholders' Meeting approved to authorize the Administrative Body to acquire own shares in the following terms:

- For a maximum period of 5 years from the adoption of the agreement.
- For a maximum number of shares of 10% of the share capital.
- With a minimum and maximum equivalent value, when the acquisition is onerous, which may range from /- 10% of the market value on the acquisition date.

The movement during the 6-month period ended June 30th, 2022, is as follows:

	12.31.21	Purchases	Sales	06.30.022
Cost of treasury shares	556,510	195,649	(177,358)	574,801

The movement during the financial year 2021 is as follows:

	2020	Purchases	Sales	2021
Cost of treasury shares	341,760	585,934	(371,184)	556,510

During the In the six-month period ending in June 2022, treasury shares have been sold, obtaining a net negative result of 47,158 euros (73,670 euros in 2021), which has been recorded with a charge to the "*Voluntary reserves*".

c) Reserves of the Parent Company

The detail of reserves at the end of the period is as follows:

	Euros	
	06.30.22	**12.31.21**
Legal reserve	108,553	108,553
Voluntary Reserve	790,212	953,620
Negative results from previous financial years	(1,841,328)	(1,682,335)
ECERTIC fusion reserves	(592,985)	---
	(1,535,548)	**(620,162)**

Legal reserve

In accordance with the provisions of article 274 of the Spanish Capital Companies Act, companies that obtain liquid profits in the financial year, after deducting taxes, will be obliged to allocate 10% of said profit to the constitution of a reserve fund. that reaches at least one fifth of the share capital. This reserve may only be used to cover, where appropriate, the debit balance of the profit and loss statement, and must be replenished when it falls below the indicated level.

Voluntary Reserves

Voluntary reserves, as of June 30th, 2022 and December 31st, 2021, include profits from previous financial years that were not distributed or assigned to mandatory reserves.

These reserves are freely available.

As reflected in the attached Consolidated Statement of Changes in Equity, during the six-month period ended June 30th, 2022, a net amount of 116,250 euros of its tax effect has been recorded against these reserves. (73,125 euros in the previous year) for issue cost and expenses incurred as a result of the capital increases carried out during the period, as well as a negative amount of 47,158 euros (73,670 euros during 2021) for the negative results obtained in treasury stock purchase and sale operations (see note 8.1.b).

Limitations for the distribution of dividends

Once the care provided for by law or the bylaws has been covered, dividends may only be distributed charged to profit for the financial year, or to freely available reserves:

- If the value of the net assets is not or, as a result of the distribution, is not less than the share capital. For these purposes, the profits allocated directly to net assets may not be subject to direct or indirect distribution. If there are losses from previous financial years that make the value of the net worth of the Parent Company less than the amount of the share capital, the profit will be used to offset these losses.

- If there are fixed assets derived from the activation of ID expenses and/or goodwill in the assets of the Parent Company. In this case, dividends can only be distributed if the amount of available reserves is at least equal to the net amount of unamortised fixed assets.

d) Reserves in consolidated subsidiary offices

In accordance with the criterion described in note 3.1, this section of Shareholders' funds in the consolidated balance sheet corresponds to the undistributed results generated by the subsidiary offices from the date of their incorporation into the Group. Its detail, as of June 30th, 2022 and December 31st, 2021, is as follows:

	Euros	
	06.30.22	**12.31.21**
By global integration:		
Ecertic Digital SL	---	(172,265)
Facephi APAC	(146,202)	(194,553)
Total	**(146,202)**	**(366,818)**

e) Contribution to consolidated results

The contribution of each subsidiary company included in the scope of consolidation to the consolidated results is shown in the attached table:

Subsidiary Office	Profit / (Loss)	
	06.30.22	**12.31.21**
Facephi - Parent Company	(883,256)	(158,993)
Ecertic - Subsidiary company	---	(85,330)
Facephi Apac - Subsidiary company	(33,568)	48,351
Celmuy - Subsidiary company	(151,973)	---
Consolidation adjustments	---	(357,932)
Total Consolidated Result (Profit)	**(1,068,797)**	**(553,904)**

8.2. Adjustment for changes in valuation - Conversion difference

In accordance with the translation criteria for financial statements of foreign companies that use a functional currency other than the Euro, described in note 3.1, the Group has recorded in equity of the consolidated balance sheet as of June 30th, 2022, a translation difference loss amounting to 7,404 euros (3,335 euros in 2021), net of its corresponding tax effect, which corresponds to the difference between the amount of the net assets of Facephi APAC and Celmuy, converted at the historical exchange rate (having consolidated by financial statements for the first time this last time) and the net equity situation resulting from the conversion of assets and rights and obligations at the closing exchange rate of each of the local currencies in which each subsidiary company operates.

The detail of the evolution of the conversion difference, during the semester ended June 30th, 2022 and during the financial year 2021, is as follows:

	Euros	
	06.30.22	**12.31.21**
Balance at the beginning of the financial year	**(3,335)**	**---**
Equity variation due to conversion difference	(656)	(3,335)
Incorporation of components to the scope of consolidation	(3,413)	---
Balance at the closing of the financial year	**(7,404)**	**(3,335)**

8.3. Grants

The amount and characteristics of the subsidies that appear in the consolidated balance sheet as of June 30th, 2022 and December 31st, 2021 under the heading "*Grants, donations and legacies*" as well as the movement during this period and the previous year, is as follows:

As of June 30th, 2022

Body	Award year	Amount awarded	Balance as of 12.31.21	Additions Comb Neg.	Additions of the financial year	Transferred to income 06.30.22	Tax Effect	Balance as of 06.30.22
Europe (H2020)	2016	1,692,600	65,997	---	---	(33,532)	8,383	40,848
CDTI	2018	180,390	61,484	---	---	(18,228)	4,557	47,812
		1,872,990	**127,480**	**---**	**---**	**(51,760)**	**12,940**	**88,661**

As of December 31st, 2021

Body	Award year	Amount awarded	Balance as of 12.31.20	Additions Comb Neg.	Additions of the financial year	Transferred to income of 2021	Tax Effect	Balance as of 12.31.21
Europe (H2020)	2016	1,692,600	116,294	---	---	(67,063)	16,766	65,997
CDTI	2018	180,390	88,826	---	---	(36,456)	9,114	61,484
		1,872,990	**205,120**	**---**	**---**	**(103,519)**	**25,880**	**127,480**

H2020 is the largest European financing program for research and innovation projects, with a total budget of nearly 80,000 million euros between 2014 and 2020. The SME Instrument programme has been specifically designed to promote highly innovative SMEs with great ambition for growth and international projection, in order to boost their success in the market.

At the end of the 2016 financial year, the Parent Company signed an agreement with the European Commission to receive financing for the expenses derived from the development of its activity in the following 24 months, in the execution of the Facial Recognition project in FACCES banking security.

In this agreement it was agreed that the amount of the subsidy granted would be for a maximum of 1,692,600 euros, corresponding to 70% of the costs of carrying out the activity for an amount of 2,418,000 euros.

The costs incurred and associated with the eligible project corresponded, on the one hand, to personnel costs that were capitalised in fixed assets, and on the other, to operating costs, so the subsidy has a capital component and an operating component, which according to the costs incurred by the Parent Company in previous years was distributed in a proportion of 19.81% and 80.19%, respectively.

Likewise, in financial year 2020, and due to the acquisition of the subsidiary Ecertic Digital Solutions, SLU, the Group recognised a net amount of 116,168 euros corresponding to a grant awarded in financial year 2018 for a gross amount of 180,390 euros, to finance the development project of a digital identity accreditation platform using biometric technology.

During the 2021 financial year, the Group has been a beneficiary of the following subsidies:

- On January 27th, 2021, the Valencian Institute of Business Competitiveness (IVACE), approves a subsidy of 27,009 euros for "SME Digitization Projects (Digitaliza-CV Teletrabajo)" for an eligible cost of 67,523 euros. The subsidy was fully allocated to the "Other operating income" caption in the accompanying consolidated profit and loss account at the end of the 2021 financial year.

- On November 30, 2021, the Valencian Institute of Business Competitiveness (IVACE), approves a subsidy of 70,663 euros for “SME Innovation Projects. Innovation in Teics (INOVATeiC-CV) 2021” for an eligible cost of 162,500 euros. The eligible period of expenses runs from January 1st, 2021 to December 31st, 2022. The entire execution of the project has been carried out during the first half of 2022, so that as of December 31st, 2021, the subsidy is recorded under the heading Short-term debts convertible into subsidies in the consolidated balance sheet as of that date (see note 9.3.c), having been charged to the heading "Other operating income" in the accompanying consolidated profit and loss statement as of June 30th, 2022.

- On December 23rd, 2021, the Valencian Institute of Business Competitiveness (IVACE), approves a subsidy of 141,369 euros for "Cooperative R&D Projects (PIDCOP-CV) 2021" for an eligible cost of 235,615 euros. The project execution period runs from March 11th, 2021 to December 31st, 2022. The Group's Management considers that it will meet the investment deadlines, although it will be carried out in the second half of 2022, which is why the amount of the subsidy is included under the heading Short-term debts convertible into subsidies (see note 9.3.c).

9. Financial liabilities

9.1 Analysis by categories

The book value of each of the categories of financial liabilities established in the ninth registration and valuation rule of the GAP, according to the information described in note 3.8, is as follows:

	Euros					
	Long-term financial liabilities					
	Debts with adds. of credit		Creditors by finance lessee		Derivatives and Others (*)	
Assets at amortised cost	06.30.22	12.31.21	06.30.22	12.31.21	06.30.22	12.31.21
Debits and items payable (note 9.3)	4349329	5,041,251	---	---	---	---
TOTAL	**4,349,329**	**5,041,251**	**---**	**---**	**---**	**---**

(*) Does not include balances with Public Administrations.

	Euros					
	Short-term financial liabilities					
	Debts with adds. of credit		Creditors by finance lessee		Derivatives and Others (*)	
Assets at amortised cost	06.30.22	12.31.21	06.30.22	12.31.21	06.30.22	12.31.21
Debits and items payable (note 9.3)	1,334,651	1,181,843	---	---	5,877,434	2,512,490
TOTAL	**1,334,651**	**1,181,843**	**---**	**---**	**5,877,434**	**2,512,490**

(*) Does not include balances with Public Administrations..

9.2 Analysis by maturity

The amounts of financial liabilities with determined or determinable maturities classified by year of maturity are as follows:

As of June 30th, 2022:

	Financial liabilities					
	06/30/23	06/30/24	06/30/25	06/30/26	Later years	Total
Debts with entities of credit	1,334,651	1,467,095	1,621,429	940,082	320,722	5,683,980
Derivatives (note 8.1)	252,886	---	---	---	---	252,886
Other financial liabilities	5,624,549	---	---	---	---	5,624,549
	7,212,086	**1,467,095**	**1,621,429**	**940,082**	**320,722**	**11,561,415**

As of December 31st, 2021:

	Financial liabilities					
	2022	2023	2024	2025	Later years	Total
Debts with entities of credit	1,181,843	1,391,850	1,543,504	1,700,089	405,808	6,223,094
Other financial liabilities	2,512,490	---	---	---	---	2,512,490

3,694,333	1,391,850	1,543,504	1,700,089	405,808	8,735,584

9.3. Debits and items payable

	30/06/2022	31/12/2021
Long-term liabilities:	**4,349,329**	**5,041,251**
Debts with entities of credit	4,349,329	5,041,251
Short-term liabilities:	**4,228,784**	**1,393,875**
Debts with entities of credit	1,334,651	1,181,843
Other financial liabilities	2,641,247	212,032
Derivatives (note 8.1.a.3)	252,886	---
Trade Payables and other accounts receivable:	**3,261,104**	**2,541,337**
Short-term providers	1,350,464	415,152
Several creditors	1,314,108	1,344,695
Customer prepayments	74,515	17,826
Personnel (remuneration pending payment)	244,215	522,785
Current tax liabilities	45	---
Debt with Public Administrations (note 10.1)	277,758	240,879
Debits and items payable	**11,839,218**	**8,976,463**

The detail of debts with credit institutions as of June 30th, 2022 and December 31st, 2021 is as follows:

	Euros		Euros	
	06.30.22		12.31.21	
	Short term	Long term	Short term	Long term
Bank loans	1,291,828	4,349,329	1,141,964	5,041,251
Debts for disposed credit (debtor)	---	---	(3,842)	---
Credit cards	31,109	---	28,509	---
Unpaid accrued interest	11,713	---	15,213	---
Total	**1,334,651**	**4,349,329**	**1,181,843**	**5,041,251**

a) Loans with entities of credit

A detail of the most important conditions of credits and financial loans in force, as of June 30th, 2022 and December 31st, 2021, is as follows:

			06.2022		12.31.21	
Operation type	Maturity date	Limit	Short term	Long term	Short term	Long term
Loan	07.31.21	200,000	---	---	---	---
Loan [1]	11.20.22	200,000	33,726	---	67,059	---
Loan [2]	04.03.28	1,000,000	157,603	816,490	104,243	895,757
Syndicated loan	06.30.25	6,000,000	1,100,500	3,532,838	970,662	4,145,494
		Total	**1,291,828**	**4,349,329**	**1,141,964**	**5,041,251**

[1] Investment loan the purpose of which is the commercial implantation in the subsidiary office of South Korea, financing of personnel expenses, rents and promotion.

[2] ICO SME loan. On May 3rd, 2021, an extension of the lack of capital and maturity date was signed.

The interest rate on debts with credit institutions is the Euribor plus a spread that is considered within market levels. As of June 30th, 2022, the Group has recognised an amount of 11,713 euros for accrued interest pending settlement (15,213 euros at the end of the previous year).

The average interest rate on long-term debts with credit institutions, as of June 30th, 2022, is 4.44% (4.90% in the previous year).

Syndicated financial restructuring agreement

On December 14th, 2020, the Parent Company closed a syndicated financing agreement up to a limit of 13 million euros. The following banking entities are involved in said agreement, Santander, CaixaBank, Sabadell and Deutsche Bank, and it is structured in three tranches:

- TRANCH A, nominal amount of 6 million over 5 years with semi-annual amortisation.
- TRANCH B, Ordinary revolving credit. Nominal amount of 5 million for three years plus two possible renewals of 1 year.
- TRANCH C, Revolving credit (bilateral contracts). Nominal amount of 2 million to 3 years with two annual renewals up to 5 years.

The interest rate applicable to each Settlement Period will be the Euribor + initial 3%. This spread will vary depending on the evolution of the Net Financial Debt/Ebitda ratio, at the end of each established review period.

Without prejudice to the unlimited personal liability of the Parent Company for its participation in the aforementioned contracts, the subsidiary Ecertic Digital Solutions, SL establishes, on the same date, a first demand joint guarantee on all the obligations arising from the contracts. Likewise, real pledge rights are constituted on the credit rights of the Operative Current Accounts and the Temporary Amortisation Account associated with the loan. In this same regard, the Parent Company maintains, as guarantee of the previous obligations, a chattel mortgage on the Brands owned by the Group and valued at 2,244,829 euros.

The Group's Management considers that, based on the estimates of its future cash flow included in its business plan, it will be able to promptly comply with all the contractual obligations derived from the financial loans and credits that it maintains in force.

b) Credit accounts and discount lines

The Group has contracted credit policies for the following amounts:

	Euros					
	Drawn		Limit		Available	
	06.30.22	12.31.21	06.30.22	12.31.21	06.30.22	12.31.21
Syndicated Loans (B+C)	---	---	7,000,000	7,000,000	7,000,000	7,000,000
Credit cards	31,109	28,509	198,200	209,022	167,091	180,513
	31,109	**28,509**	**7,198,000**	**7,209,022**	**7,167,091**	**7,180,513**

c) Other short-term financial liabilities

A detail of the debts for other short-term financial liabilities, at the end of the financial year, is as follows:

Operation type	06.2022	12.2021
Debts convertible into grants	141,369	212,032
Nice & Green Loans	2,499,878	---
Total	**2,641,247**	**212,032**

The Group records under the heading of Debts convertible into grants the amount considered as repayable from the IVACE grants awarded in 2021 (see note 8.3), as the investment had not been executed at the closing date of the consolidated financial statements.

As of June 30th, 2022, the Group has 3 loans granted by Nice & Green, for a total amount of 2.5 million euros, maturing between August 13th, 2022 and June 23rd, 2023, without payment of interest, which will be used for future capital increases derived from the financing framework agreement signed on December 14th, 2020. As indicated in note 15 of Post-closing events, at the date of preparation of these interim consolidated financial statements, the corresponding capital increase and share premium agreement has been raised to public, for an amount of 1,500,000 euros.

d) Information on the average period of payment to suppliers. Third additional provision. "Duty of information" of Law 15/2010, of July 5th.

In compliance with the duty of information established in the third additional provision of Law 15/2010 (modified through the second final provision of Law 31/2014, of December 3rd), which establishes measures to fight against delinquencies in commercial operations, information on the average payment period to suppliers in commercial operations, prepared in accordance with the ICAC Resolution of January 29th, 2016, is detailed below:

Subject	**06.30.22**	**31.12.21**
	Days	**Days**
Average period of payment to suppliers	20	19
Ratio of paid operations	23	19
Ratio of is outstanding paid operations	12	26
	Euros	
Total expenditure incurred	4,580,023	7,266,275
Total expenditure pending	1,678,024	842,452

For these exclusive purposes, the concept of commercial creditors encompasses the items of suppliers and sundry creditors for debts with suppliers of goods or services, included in the scope of the regulation of legal payment terms. The concept of net purchases and expenses for external services encompasses the amounts accounted for as such according to the General Accounting Plan.

10. Public administrations and fiscal situation

10.1 Current balances with Public Administrations

The composition of the debit and credit balances maintained with the Public Administrations as of June 30th, 2022 and December 31st, 2021 is as follows:

	Euros			
	06.30.22		**12.31.21**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Deferred tax assets (note 10.4)	**1,133,612**		**1,093,506**	
Income Tax Receivable by:				
•V.A.T.	189,216		187,211	
•Withholdings and payments on account	623		143	

Other Public Admin: Grants awarded	239,041		239,041	
Other credits with Public Administrations	**428,880**		**426,396**	
Deferred tax liabilities (note 10.4)		**29,553**		**42,493**
Creditor Social Security Institutions		150,347		143,987
Income Tax Payable by:				
•V.A.T.		(26,183)		6,172
• Individual income tax withholdings		153,594		90,720
Other debts with Public Administrations		**277,758**		**240,879**
Current tax assets/liabilities	**(733)**	**45**	**---**	**---**

10.2 Financial years pending verification and inspection actions

As established by current legislation, taxes cannot be considered definitively settled until the returns have been inspected by the tax authorities or the four-year statute of limitations period has elapsed. As of June 30th, 2022, the Group has all the main taxes applicable to it from June 30th, 2018 open to inspection by the tax authorities.

The Group's Management considers that it has properly made the settlements of all the taxes that are applicable to it. However, in the event of an inspection, discrepancies could arise in the interpretation given by the Management of current regulations in relation to the tax treatment given to certain operations and, therefore, result in additional tax liabilities. However, Management does not expect that these liabilities, if they materialize, would significantly affect the Group's interim consolidated financial statements.

10.3 Reconciliation of book profit and current expense for Income Tax

As these are interim consolidated financial statements, the Group has not accrued any expense for the tax provision for the tax on profits, having generated losses during the six-month period ended June 30th, 2022. However, an amount of 150,190 euros (191,132 euros at June 30, 2021) corresponding to withholdings at source made by the Tax Administrations of third countries and whose deduction for double imposition is pending registration at the end of the period.

10.4 Deferred tax assets and liabilities

Deferred tax assets

In accordance with the prudence concept, deferred tax assets corresponding to deductible temporary differences, negative tax bases and deductions and other unused tax advantages will only be recognised, to the extent that it is probable that the Group will have future tax profits that allow the application of these assets.

As of June 30th, 2022, the Group maintains deferred assets in the consolidated balance sheet for an amount of 1,133,612 euros, corresponding to:

- an amount of 38,750 euros, for the tax effect of expenses charged directly to assets as a result of the capital increases described in note 8.1;
- an amount of 811,106 euros (same amount in 2021) to deductions pending application;
- an amount of 281,287 euros (same amount in 2021) to credits for losses to be offset from previous financial years; and
- an amount of 2,468 euros (1,112 euros in 2021) to the tax effect of the translation differences of the balance sheets of the subsidiaries in currencies other than the Euro.

As of June 30th, 2022 and December 31st, 2021, the detail of the pending deductions of application of the Parent Company, according to the corporate income tax returns filed, is as follows:

Subject	Year of generation	2020	Generated	Applied	2021
Intl. double taxation	2018	57,862	---	---	57,862
(*) research and development	2019	---	25,740	---	25,740
Intl. double taxation	2020	205,158	---	---	205,158
(*) research and development	2020	---	79,637	---	79,637
Film productions	2020	---	126,632	---	126,632
Intl. double taxation	2021	---	316,078	---	316,078
	Total	**263,020**	**548,087**	**---**	**811,106**

(*) *Estimated deductions at 12% of the deduction base.*

Likewise, the Parent Company has the following negative tax bases to offset with future tax benefits, according to the corporate income tax return for the 2021 financial year:

	Euros				
Year of generation	**Bases pending 2020**	**Generated 2021**	**Compensation 2021**	**Bases pending 2021**	**Fiscal credit**
Financial year 2020	757,767,	---	---	757,767,	189,442
Financial year 2021,	---	367,383	---	367,383	91,846
Total	**757,767**	**367,383**	**---**	**1,125,150**	**281,287**

On the other hand, the company Ecertic Digital Solutions, prior to the merger, had the following deductions pending application, as well as the following negative tax bases to offset with future tax benefits, whose deferred tax assets are not recognised in the consolidated balance sheet:

- Deductions pending application:

	Euros			
Year of generation	**12.31.21**	**Generated**	**Applied**	**06.30.2022**
Financial year 2018	97,364	---	---	97,364
Total	**97,364**	**---**	**---**	**97,364**

- Negative tax bases to offset with future tax benefits:

	Euros				
Year of generation	**Bases pending 2021**	**Generated 2022**	**Compensation 2022**	**Bases pending 06.30.22**	**Fiscal credit**
Financial year 2018	30,596	---	---	30,596	7,649
Financial year 2019	272,047	---	---	272,047	68,012
Financial year 2020	9,013	---	---	9,013	2,253
Financial year 2021	85,330	---	---	85,330	21,333
Total	**396,985**	**---**	**---**	**396,985**	**99,247**

Deferred tax liabilities

The Group includes in this section the taxable temporary differences derived from the subsidies received and transferred to the result for the year.

The movement of this heading, during the first half of 2022 and during the year 2021, is as follows:

	Euros	
	06.30.22	12.31.21
Opening balance	**42,493**	**68,373**
Temporary differences reversed by:		
- Capital grants transferred to Income (note 8.3)	(12,940)	(25,880)
Final balance	**29,553**	**42,493**

11. Income and expense

a) Net amount of turnover

The net amount of the consolidated turnover corresponding to the ordinary activities of the Group is distributed geographically as follows:

	%	%
Market	**6.2022**	**6.2021**
Spain	2.32	21.21
Rest of the European Union	---	---
Other countries	97.68	78.79
	100.00	**100.00**

Similarly, the net amount of turnover can be analysed by line of business as follows:

	%	%
Line	**6.2022**	**6.2021**
Provision of services	100	100
	100	**100**

As of June 30th, 2022, an amount of 393,809 euros (562,924 euros at year-end 2021), corresponding to the estimated income of support and maintenance whose accrual corresponds to the following period, has been registered on the heading "Short-term accruals" of the current liabilities of the attached consolidated balance sheet.

b) Provisions

This heading of the consolidated profit and loss account includes the costs accrued for the use under license of certain computer programs and software, necessary for the development of the products that the Group will subsequently market under license, reflecting as of June 30th, 2022 a amount of 1,426,879 euros (851,700 euros as of June 30th, 2021).

c) Works carried out by the Group for its assets.

	Euros	
	6.2022	6.2021
Works carried out by the Group for its assets		
Facephi	1,855,813	679,371
Ecertic	---	75,000
	1,855,813	**754,371**

The Group has continued to develop improvements and new revisions of its computer applications, which has led to the capitalization of fixed assets of the amounts detailed in the previous table (see note 4).

d) Employee expenses

The detail of debts with credit institutions as of June 30th, 2022 and December 31st, 2021 is as follows:

	Euros	
	6.2022	6.2021
Salaries, remunerations and similar	3,537,621	2,100,634
Compensations	---	6,000
Social security by the company	687,283	359,148
Other social expenses	40,793	---
Retributions LP syst. contribution defined	9,755	---
	4,275,452	**2,465,782**

The average number of employees distributed by category is as follows:

	6.2022	6.2021
Senior Management	1	2
Scientific, intellectual and support technicians and professionals	139	100
Administrative-type employees	42	14
Salespeople and the like	6	5
Total average employment	**188**	**121**

Likewise, the distribution by gender of the Company's personnel is as follows:

	6.2022			6.2021		
	Men	Women	Total	Men	Women	Total
Executive Board Members	1	---	1	2	---	2
Scientific, intellectual and support technicians and professionals	116	23	139	79	21	100
Administrative-type employees	12	30	42	7	7	14
Salespeople and the like	4	2	6	4	1	5
Total personnel at the end of the financial year	**133**	**55**	**188**	**92**	**29**	**121**

The Company, as of June 30th, 2022 and 2021, has 2 employees with disabilities equal to or greater than 33%.

e) Other operating expenses

The detail of the heading "Other operating expenses", as of June 30th, 2022 and 2021, is as follows:

	Euros	
	6.2022	6.2021
External services:		
Leases and royalties	261,288	66,985
Reparations and conservation	10,827	7,716
Independent professional services	2,316,837	1,547,695
Transport	598	277
Insurance premiums	51,978	22,599
Banking and similar services	47,072	54,171
Advertising, propaganda and public relations	515,232	130,044
Supplies	7,147	28,664
Other services	401,462	332,933
Taxes	4,510	2,494
Losses impairment and variation provisions of commercial operations	59,618	107,117
Other operating expenses	**3,676,570**	**2,300,693**

f) Foreign currency: Exchange differences

The global amount of the asset elements included in the consolidated balance sheet and denominated in foreign currency amounts to 6,461,570 euros. The breakdown of the most significant elements is as follows:

		Euros	
Element	**Currency**	**6.2022**	**06.2021**
Customers (foreign currency)	USD	3,216,701	1,967,606
Customers (foreign currency)	KRW	90,952	---
Treasury (acct. cst. f.c.)	USD	2,839,051	3,059,801
Treasury (acct. cst. f.c.)	KRW	282,604	128,848
Treasury (f.c. cashier)	USD	918	---
Fixed-term deposits (f.c.)	USD	31,344	1,658,579
	Total	**6,461,570**	**6,814,834**

Liabilities denominated in foreign currency present the following detail:

		Euros	
Element	**Currency**	**6.2022**	**6.2021**
Creditors (f.c.)	USD	1,289,658	345,644
Creditors (f.c.)	KRW	15,587	10,186
Customer advances (f.c.)	KRW	74,515	---
	Total	**1,379,760**	**355,830**

The amounts of the transactions carried out in foreign currency are as follows:

	Euros	
	6.2022	**6.2021**
Services received (USD)	(1,619,859)	(1,014,616)
Sales for services rendered (USD)	7,523,305	3,079,178
Sales for services rendered (KRW)	156,848	190,451
Services received (KRW)	(54,758)	(23,342)

The amount of the exchange differences recognised in the consolidated profit and loss account for the period, presenting separately those that come from transactions that have been settled throughout the period, from those that are pending settlement, as of June 30th, 2022 and 2021, are as follows:

		Exchange differences	
Financial instrument	**Currency**	**6.2022**	**6.2021**
Negative cash differences	USD	1,129	13,802
Positive cash differences	USD	(68,338)	(166,549)
Negative differences due to customer collections	USD	11,574	1,680
Positive differences due to customer collections	USD	(112,264)	(13,322)
Negative differences due to supplier payments	USD	45,005	7,292
Negative cash differences	KRW	---	10,423
Positive cash differences	KRW	(6,073)	(1,403)
Positive differences due to balances of financial institutions	USD	(267)	(317)
Positive differences due to supplier payments	USD	(923)	(1,498)
Total for transactions settled in the financial year		**(130,157)**	**(149,891)**

		Exchange differences	
Financial instrument	**Currency**	**6.2022**	**6.2021**
Positive differences due to customer balance	USD	(162,030)	(75,683)
Positive differences due to balances of financial institutions	USD	---	(254)
Negative differences due to supplier balance	USD	729	13,018
Total for transactions pending expiration		**(161,300)**	**(62,919)**
Total exchange differences for the financial year imputed		**(291,457)**	**(212,811)**

12. Remuneration of Board Members and Senior Management

In accordance with the proposal of the Appointments and Remuneration Committee of May 20th, 2022, subsequently ratified by the Parent Company's General Shareholders' Meeting on June 21st, 2022, the remuneration of the Governing Bodies and the Board of Directors Administration for financial year 2022 are as follows:

- As senior management salary compensation: a fixed amount of 620,000 euros, plus a variable subject to the evolution of certain objective magnitudes.
- As Board Member remuneration: an amount of 360,000 euros, of which 300,000 euros are destined to remunerate the members of the Audit Committee and the Appointments and Remuneration Committee.

By virtue of these agreements, the remuneration accrued as of June 30th, 2022 and 2021 was as follows:

a) Remuneration of Board Members and Senior Management.

The members of the Board of Directors, some of whom are part of the Senior Management, have accrued statutory and salary compensation, including Board expenses and allowances, compensation in kind and civil liability insurance premiums for directors and Administrators, the following amounts:

	Euros	
	6.2022	**6.2021**
Remuneration:		
Remuneration - Senior Management	310,000	420,000
Variable remuneration - Senior Management	100,000	60,000
Board and Audit Committee and Remuneration Fees	180,000	150,000
Insurance premiums	2,492	2,492
Total remuneration	**592,492**	**632,492**

As indicated in note 5, one of the members of the Board has acquired ownership of a transport element for an amount of 26,273 euros which was, until then, leased by the Parent Company under an operating lease.

On the other hand, there are no advances or financial credits granted to the Directors, nor obligations contracted in terms of pensions, with respect to the members of the Board of Directors or senior management.

On July 23rd, 2021, the Parent Company's Board of Directors accepted the resignation and resignation presented by the former Chairman of the Board, Mr. Salvador Martí Varó.

On that date, the Board of Directors unanimously agreed on the appointment of Mr. Javier Mira Miró as Chairman of the Board of Directors, a position that is compatible with his status as CEO. Likewise, the appointment of Mr. Fernando Orteso de Travesedo as Vice President and of Mr. David José Devesa Rodríguez as Vice Secretary also of the Facephi Board of Directors was agreed.

b) Situations of conflicts of interest of the Directors

In the duty to avoid situations of conflict with the interest of the Group, during the year, the Directors who have held positions on the Board of Directors have complied with the obligations set forth in article 228 of the revised text of the Capital Companies Law. Likewise, both they and the people linked to them have refrained from incurring in the cases of conflict of interest provided for in article 229 of said law, except in cases, none in the current year, in which the corresponding authorization.

13. Provisions and contingencies

The Parent Company has granted guarantees to guarantee compliance with the service and licensing contracts signed with some of its clients. Its detail of such guarantees as of June 30th, 2022 and December 31st, 2021 is as follows:

			Euros	
Issue	**Maturity date**	**F.C.**	**06.30.22**	**12.31.21**
7/08/2021,	09/20/2026	USD	35,340	35,340
02/12/2020	02/24/2020	USD (**)	---	10,000
01/04/2022	12/09/2023	USD	10,000	---
01/31/2022	07/26/2024	USD	25,546	---
05/12/2022	05/16/2023	USD	151,900	---
10/15/2021	Undefined	USD	91,281	91,281
		Total	**314,067**	**136,621**

(*) Pledged to a fixed-term deposit amounting to USD 35,500 (note 7)

(**) Pledged to a fixed-term deposit amounting to USD 10,000 (note 7)

14. Other Information

a) Auditor fees

On July 24th, 2020, the Parent Company's General Shareholders' Meeting agreed to renew the appointment of Auren Auditores SP, SLP of the Company as auditors for the years ended December 31st, 2020, 2021 and 2022.

The estimated fees for the financial year 2022, for the different services contracted with the auditors, as well as the amount of the fees invoiced in 2021 are as follows:

	2022E	*2021*
Audit services:		
• Audit of the individual annual accounts	24,650	22,450
• Audit of the Consolidated annual accounts	11.000	10.000
Other services related to the audit:		
• Review of consolidated financial statements interim at 06.30 11,990 11,000		
Other accounting verification services	1.100	1.000
Total professional services 48,740 44,450		

As of June 30th, 2022 and December 31st, 2021, no additional fees have been accrued by other companies of the Auren firm as a result of tax advisory services, special reports, other verification services or other services.

b) Off-balance sheet arrangements

There are no agreements or contractual agreements that do not appear in the balance sheet and about which information has not been included in another note in the report, as well as their possible financial impact, provided that this information is significant and helpful in determining the position Group finance.

15. Post-closing events

As indicated in note 8.1.a.3), on July 14, 2022, the conversion agreement of Equity Warrants (JUNE 2022) and the consequent capital increase, through the issuance of 809,498 new shares with a nominal value of 0.04 euros each, and in accordance with the deed executed by the notary of the College of Castilla-La Mancha, Mr. Iván Castejón Fernández-Trujillo, with number 829 of his protocol. The financial year price of the conversion was 1.8530 euros, which represents an effective amount of 1,500,000 euros, of which 1,467,620 euros correspond to issue premium and 32,380 euros to share capital. This extension has been registered in the Commercial Registry of Alicante on August 4th, 2022.

On September 23rd, 2022, the Ministry of Economic Affairs and Digital Transformation has notified the Group of the resolution granting the public entity RED.ES, MP an aid of 1,270,090 euros for a project amounting to 1,587,613 euros , corresponding to the 2021 call for aid for research and development projects in artificial intelligence and other digital technologies and their integration into value chains.

At the date of preparation of these interim consolidated financial statements, no other significant subsequent events have occurred.

Alicante, August 2nd, 2022,

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