Alicante, October 21st, 2024

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

Dear Sirs,

Pursuant to the provisions of Article 17 of Regulation (EU) 596/2014 on market abuse, Article 227 of Act 6/2023 of March 17th on Securities Markets and Investment Services and related provisions and Circular 3/2020 of the BME Growth segment of BME MTF Equity, we hereby inform you of the following information relating to the trading company FACEPHI BIOMETRIA, S.A. (hereinafter “FacePhi” or “the Company” interchangeably).

FINANCIAL INFORMATION FOR THE FIRST HALF OF 2024

- Consolidated interim financial statements as of June 30th, 2024
- Individual financial statements as of June 30th, 2024
- Report on the outcome of the first half of the 2024

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

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Javier Mira Miró
Chairman of the Board of Directors

Facephi set a new record growth figure in the first half of 2024, increasing its turnover by 20%

- ***The Company achieved a turnover of € 11.7 million and continues to reach the targets inherent in execution of its business plan and international expansion goals.***

- ***Facephi continues to make progress in its internationalisation and geographical diversification plans:***
    - *the Company signed an agreement with Hancom to expand its business in APAC and entered into a new business alliance in Pakistan;*
    - *in EMEA it penetrated the Polish and South African markets by means of its Partner strategy, one of its main growth drivers.*

- ***The management team expressed its satisfaction at having already achieved the optimum operational and technological structure, one that will enable Facephi to achieve faster growth and strengthen its cash flow as of 2025.***

Alicante, October 21st, 2024.- Facephi Biometría, S.A. (**BME Growth: FACE; Euronext Growth Paris: ALPHI**) Today ("Facephi" or "the Company"), the Spanish world leader in the protection and authentication of digital identity, announced its financial results for the first half of the 2024 financial year.

The Company achieved a turnover of € 11.7 million, a 20.0% increase in comparison with 1H23. Taken together, variable and fixed costs only rose by 13.9% while extraordinary expenses amounted to € 1.0 million. These expenses are basically related to restructuring of subsidiaries and corporate capital transactions, which means that normalised EBITDA[1] improved by 10.0% compared to 1H23.

With respect to overheads, Management now considers that the operating structure has reached its target dimension. As is usual in the technology sector, the cost of acquiring new markets, niches and customers occurs before the resulting growth impacts turnover which, like EBITDA, will rise significantly in 2025.

With respect to the main parameters of the Balance Sheet, Restated Net Equity[2] grew by 6.2% in 1H24 mainly due to contributions of € 7.4 million from Hancom and Nice & Green, currently the main shareholders. Their contributions are expected to exceed an estimated € 11.0 million by the end of the financial year. Restated Working Capital increased by a noteworthy € 0.9 million in the first six months of the year and is now approaching break-even point.

In the words of Javier Mira, Chairman of the Board of Directors: "We are delighted with our performance during the first half of 2024 because it represents the culmination

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[1] Without taking extraordinary expenses into account.

[2] Book Net Equity plus the called capital contributions by Hancom and Nice & Green of €5 million and €0.6 million respectively pending formal transfer at the end of 1H24.

of years of investment to develop an exceptional corporate and technological structure and implement international expansion strategies that should enable us to achieve more profitable growth and generate consistent cash flow as of 2025.

This confidence is particularly noticeable in the strong growth in the ARR figure[3] that rose from € 12.7 million to € 21.8 million between the end of 2022 and the end of 2023 before surging to € 27.4 million in the first half of 2024; in other words, it has more than doubled in less than two years.

In addition to the significant advances in the operational and financial structure, we must not forget the progress we have made to strengthen the Company's value, image and relationship with the capital markets during this year. We have taken three measures on this front:

- One. - Having identified new modes of capital contribution as a driving force of growth, we decided not to issue any more convertible bonds in our relationship with *Nice & Green*, our main shareholder.
- Two. - Aitor D'Oxandabaratz – an executive with more than ten years' experience as corporate CFO in industrial companies – has joined our team with the mission of successfully and profitably leading our expansion while closely monitoring the profitability and cash-generation aspects of the business.
- Finally, we have recruited Antonio Jorge as Investor Relations Officer to send a renewed signal of our determination to strengthen communication with all our institutional and retail investors with the aim of safeguarding their interests and ensuring a fruitful and successful long-term relationship.

In short, we are entering a new phase in which we have the talent, tools and operational and financial resources we need not only to grow faster, but to do so in a more profitable and productive manner, the result of years of hard work but above all of innovation, Facephi's DNA."

About Facephi

Facephi is a technology company specialising in digital identity protection and verification and noted for its focus on data security and integrity. Its products are designed to create safer, more accessible fraud-proof processes to prevent identity theft and ensure ethical processing of data of a personal nature.

Facephi has more than a decade of experience in the development of technologies aimed at protecting the digital identity of people. With head offices in Spain and subsidiaries in APAC, EMEA and LATAM, Facephi serves the needs of more than three hundred customers across twenty-five countries worldwide, providing innovative solutions that address security challenges in a constantly-evolving digital environment.

Further information and contact

Investors: Facephi – antoniojorge@facephi.com

Media: Evercom – facephi@evercom.es

[3] ARR: Annual recurring revenue.

FacePhi Biometría, S.A. and subsidiaries

Consolidated Interim Financial Statements for the six months ended on 30 June 2024

PROTECTING IDENTITY
TO BUILD THE FUTURE

FACEPHI BIOMETRÍA, S.A. and subsidiaries

In compliance with the requirements set forth in Circular 3/2020 of BME Growth, the Corporate Enterprises Act and the Commercial Code, on 30 September 2024 the Board of Directors of the trading company FacePhi Biometría, S.A. drew up the attached Consolidated Interim Financial Statements of FacePhi Biometría, S.A. and subsidiaries for the period of six months ended on 30 June 2024 written on 72 pages numbered from 1 to 72.

Furthermore, the Board of Directors invested Juan Alfonso Ortiz Company with the office of Secretary of the Board, empowered to sign said documents on all their pages.

SIGNATORIES

Javier Mira Miró
Chairman - Joint and Several Managing Director

Juan Alfonso Ortiz Company
Secretary - Director

Pablo Reig Boronat
Independent Director

David J. Devesa Rodríguez
Vice-secretary – Director

Manuel Lanfossi on behalf of
Nice & Green, S.A.
Ex Officio Member - Director

FACEPHI BIOMETRÍA, S.A. and subsidiaries

30 June de 2024

Contents of the Consolidated Interim Financial Statements and Explanatory Notes

Balance sheet 30th June 2024 (In Euros)			
ASSETS	NOTES TO THE FINANCIAL STATMENTS	**30/06/2024**	**31/12/2023**
A) NON-CURRENT ASSETS		**26,986,282**	**26,605,685**
I. Intangible fixed asset	**4**	**12,027,124**	**11,845,693**
9. Other fixed intangible		12,027,124	11,845,693
II. Tangible fixed assets	**5**	**2,497,100**	**2,650,151**
1. Land and buildings		1,959,412	2,025,031
2. Technical installations and other tangible fixed assets		537,688	625,120
V. Non- current financial investments	**7**	**141,518**	**140,916**
5. Other financial investments		141,518	140,916
VI. Deferred tax assets	**10.4**	**4,520,806**	**4,901,032**
VII. Commercial debtors	**7**	**7,799,734**	**7,067,893**
B) CURRENT ASSETS		**19,063,542**	**19,105,826**
III. Trade and other receivables	**7**	**17,545,591**	**15,435,428**
1. Clients from sales and provision of services		15,693,037	13,563,397
5. Other debtors	10	3,922	(733)
6. Other receivables from Public Administrations	10	1,848,632	1,872,765
V. Current financial investments	**7**	**187,604**	**169,261**
5. Other financial investments		187,604	169,261
VI. Short term accruals		**700,609**	**767,869**
VII. Cash and cash equivalents	**7.4**	**629,738**	**2,733,267**
1. Cash and banks		629,738	2,733,267
TOTAL ASSETS (A + B)		**46,049,823**	**45,711,511**

The attached explanatory notes 1 to 15 form an integral part of these Consolidated Financial Statements as at 30 June 2024.

Balance sheet 30th June 2024 (In Euros)			
EQUITY AND LIABILITIES	NOTES TO THE FINANCIAL STATMENTS	**30/06/2024**	**31/12/2023**
A) EQUITY	8	**16,222,725**	**20,043,048**
A-1) Shareholders' equity	8.1	**15,620,752**	**19,590,554**
I. Capital		**903,574**	**851,585**
1. Issued capital		903,574	851,585
II. Share premium		**26,679,312**	**24,231,301**
III. Reserves		**(5,313,929)**	**(788,808)**
2. Other reserves		(5,313,929)	(788,808)
IV. (Treasury stock and shares)		**(360,306)**	**(393,977)**
V. Result attributed to the parent company		**(6,287,898)**	**(4,309,547)**
A-2) Adjustments for changes in value	8.2	**(137,693)**	**(177,349)**
IV. Conversion difference		**(137,693)**	**(177,349)**
A-3) Grants, donations and legacies received	8.3	**739,665**	**629,843**
B) NON-CURRENT LIABILITIES		**2,244,469**	**3,268,122**
I. Non-current provisions		**36,904**	**36,904**
4. Other provisions		36,904	36,904
II. Non-current debt	9	**1,961,010**	**3,021,270**
2. Debt with financial institutions		1,924,806	2,927,486
3. Finance Lease Liabilities		36,204	93,784
5. Other financial liabilities		0	0
IV. Deferred tax liabilities	10.4	**246,555**	**209,947**
C) CURRENT LIABILITIES		**27,582,630**	**22,400,340**
I. Current provisions	9	**90,350**	**288,168**
1 Current provisions		90,350	288,168
III. Current debt	9	**15,273,785**	**10,164,052**
2. Debts with financial institutions		9,283,264	8,603,348
3. Financial lease creditors		94,360	93,241
4. Derivatives		0	0
5. Other financial liabilities		5,896,161	1,467,282
V. Trade and other payables	9.3	**11,275,503**	**10,809,252**
1. Suppliers		3,948,232	3,775,612
3. Sundry creditors		7,327,270	7,033,640
VI. Short term accruals	11.a	**942,993**	**1,138,868**
TOTAL EQUITY AND LIABILITIES (A + B + C)		**46,049,823**	**45,711,511**

The attached explanatory notes 1 to 15 form an integral part of these Consolidated Financial Statements as at 30 June 2024.

Consolidated profit and loss account for the six-month period 30th June 2024 (In Euros)			
	NOTES TO THE FINANCIAL STATMENTS	(Debits) Credits	
		30/06/2024	30/06/2023
A) CONTINUED OPERATIONS			
1. Net Revenue	11.a	**11,694,187**	**9,749,203**
b) Services provided		11,694,187	9,749,203
3. Work undertaken by the Company on its own assets	11.c	**2,365,543**	**2,100,488**
4. Supplies	11.b	**(2,144,126)**	**(1,899,781)**
c) Work undertaken by third party companies		(2,144,126)	(1,899,781)
5. Other operating income		**80,877**	**84,878**
a) Non-Core and Other Current Operating Revenues		40,629	29,187
b) Operating subsidies integrated in financial year profit / loss		40,247	55,691
6. Staff expenses	11.d	**(8,303,435)**	**(6,607,843)**
a) Salaries, remunerations and similar expenses		(6,971,575)	(5,550,952)
b) Social contributions		(1,331,861)	(1,000,647)
c) Provisions		0	(56,245)
7. Other operating expenses	11.e	**(6,908,432)**	**(6,318,395)**
a) External services		(6,609,830)	(6,016,570)
b) Taxes		(912)	0
c) Loss, impairment and variation in provisions for trade operations	6	(297,691)	(301,826)
8. Fixed assets depreciation	4 - 5	**(2,669,831)**	**(1,352,150)**
9. Allocation of grants related to non-financial fixed assets and other	8.3	**124,388**	**141,124**
13. Other profit / loss		**(1,009)**	**20,268**
A.1) OPERATING PROFIT/ LOSS (1+2+3+4+5+6+7+8+9+10+11+12+13)		**(5,760,839)**	**(4,082,209)**
14. Financial revenues		**270,584**	**20,694**
b) Securities held for trade and other financial instruments		270,584	20,694
15. Financial expenses		**(829,077)**	**(402,388)**
b) On debts to third parties		(829,077)	(338,275)
b) Other financial expenses		0	(64,113)
16. Variations in the fair value of financial instruments		**0**	**(268,802)**
a) Trading portfolio and other		0	(268,802)
17. Adjustments for changes	11.f	**241,350**	**219,682**
A.2) FINANCIAL PROFIT/ LOSS (14+15+16+17+18+19)		**(317,142)**	**(430,815)**
A.3) PROFIT/ LOSS BEFORE TAX (A.1 + A.2)		**(6,077,981)**	**(4,513,023)**
20. Income tax	10.3	**(209,917)**	**(182,034)**
A.4) PROFIT/LOSS FROM CONTINUED OPERATIONS (A.3 + 20)		**(6,287,898)**	**(4,695,058)**
B) DISCONTINUED OPERATIONS			
A.5) PROFIT/LOSS FOR FINANCIAL YEAR (A.4 + 21)		**(6,287,898)**	**(4,695,058)**

The attached explanatory notes 1 to 15 form an integral part of these Consolidated Financial Statements as at 30 June 2024.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR
ENDED JUNE 30TH 2024
(In Euros)

A) STATEMENT OF RECOGNIZED INCOME AND EXPENSES

	Notas de la memoria	30/06/2024	30/06/2023
A) RESULT OF THE INCOME STATEMENT		**(6,287,898)**	**(4,695,058)**
INCOME AND EXPENSES DIRECTLY ATTRIBUTED TO EQUITY			
I. Valuation of financial instruments		0	0
II. Cash flow hedges		0	0
III. Grants, donations, and bequests received	11.2	101,719	366,115
IV. Actuarial gains and losses and other adjustments		0	0
V. Non-current assets and associated liabilities held for sale.		0	0
VI. Translation differences.		0	0
VII. Tax effect	13.4	(25,430)	(91,529)
B) TOTAL INCOME AND EXPENSES DIRECTLY ATTRIBUTED TO EQUITY (I + II + III + IV + V + VI + VII)		**76,289**	**274,586**
TRANSFERS TO THE INCOME STATEMENT			
VIII. Valuation of financial instruments		0	0
IX. Cash flow hedges		0	0
X. Grants, donations, and bequests received	11.2	(124,388)	(141,124)
XI. Non-current assets and associated liabilities held for sale.		0	0
XII. Translation differences.		0	0
XIII. Tax effect	13.4	31,097	35,281
C) TOTAL TRANSFERS TO THE INCOME STATEMENT (VIII + IX + X + XI + XII + XIII)		**(93,291)**	**(105,843)**
TOTAL INCOME AND EXPENSES RECOGNIZED (A + B + C)		**(6,304,900)**	**(4,526,314)**

The attached explanatory notes 1 to 15 form an integral part of these Consolidated Financial Statements as at 30 June 2024.

B) Consolidated statement of Changes Equity for the six-month period ended June, 2024

(In euros)

	Capital	Share premium	Other reserves of the Parent Company: Other reserves	Other reserves of the Parent Company: (Own shares)	Other reserves of the Parent Company: Previous profit and loss	Reserves in cons companies: By global integration	Assigned profit and loss	LCA - Conversion Difference	Grants, donations and legacies	TOTAL
Opening balance as of 01.01.2023	**697,311**	**15,560,800**	**108,379**	**-454,079**	**(1,841,328)**	**-146,203**	**1,106,667**	**4,03**	**177,622**	**15,213,199**
I. Total recognized consolidated income and expenses							(4,309,547)		452,221	(3,857,327)
II. Transactions with partners or owners										
1. Capital increases.	154,274	7,745,721	-61,2							7,838,795
2. (-) Capital reductions.										
3. (-) Dividend distribution.										
4. Transactions involving shares or interests of the Parent Company (net).			-50,206	60,102						9,896
5. Conversion of financial liabilities into equity		924,78								924,78
6. Increase (decrease) in equity from first-time consolidation of subsidiaries										
7. Exclusion of components from the consolidation perimeter (note 1.c)										
III. Other changes in Equity			292,488		1,841,328	-932,066	(1,106,667)	-181,379		-86,296
Closing balance as of 31.12.2023	**851,585**	**24,231,301**	**289,461**	**-393,977**		**(1,078,270)**	**(4,309,547)**	**-177,35**	**629,843**	**20,043,046**
Opening balance as of 01.01.2024	**851,585**	**24,231,301**	**289,461**	**-393,977**		**(1,078,270)**	**(4,309,547)**	**-177,35**	**629,843**	**20,043,046**
I. Total recognized consolidated income and expenses							(6,287,898)		-17,002	(6,304,900)
II. Transactions with partners or owners										
1. Capital increases.	51,989	2,448,011	-27,3							2,472,700
2. (-) Capital reductions.										
3.(-) Dividend distribution										
4. Transactions involving shares or interests of the Parent Company (net)			-56,496	33,671						-22,826
5. Conversion of financial liabilities into equity.										
6. Increase (decrease) in equity from first-time consolidation of subsidiaries										
7. Exclusion of components from the consolidation perimeter (note 1.c)										
III. Other changes in Equity			-131,777		(2,327,198)	(1,982,349)	4,309,547	39,657	126,825	34,705
Closing balance as of 30.06.2024	**903,574**	**26,679,312**	**73,887**	**-360,306**	**(2,327,198)**	**(3,060,619)**	**(6,287,898)**	**-137,693**	**739,666**	**16,222,725**

The attached explanatory notes 1 to 15 form an integral part of these Consolidated Financial Statements as at 30 June 2024.

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE SIX-MONTH PERIOD ENDED JUNE 30TH, 2024 (In euros)	NOTES TO THE FINANCIAL STATMENTS	30/06/2024	31/12/2023
A) Cash Flow from Operating Activities			
1.Profit for the year before taxes		**(6,077,981)**	**(4,513,022)**
2.Adjustments to profit.		**2,943,512**	**197,993**
a) Depreciation of fixed assets (+)	04-may	2,669,831	1,352,150
b) Impairment adjustments (+/-)	7.2	297,691	301,826
c) Changes in provisions (+/-)		-197,819	354,815
d) Allocation of subsidies (-)		-124,388	-141,124
g) Financial income (-)		-270,584	-20,694
h) Financial expenses (+)		829,077	402,388
i) Exchange differences (+/-)		-241,35	-219,682
j) Change in fair value of financial instruments (+/-)		0	268,802
k) Other income and expenses (-/+)		-18,945	(2,100,488)
3.Changes in working capital		**(2,634,232)**	**(2,792,162)**
b) Receivables and other accounts receivable (+/-)		(2,829,454)	(3,715,951)
c) Other current assets (+/-)		-75,152	-374,122
d) Payables and other accounts payable (+/-)		466,25	865,534
e) Other current liabilities (+/-)		-195,875	432,377
4.Other cash flow from operating activities.		**-605,287**	**-317,581**
a) Payments of interest (+/-)		-834,25	-338,275
c) Interest receipts (+)		0	20,694
d) Payments (receipts) for income taxes (+/-)	10.3 - 10.4	228,964	0
5.Cash flow from operating activities (+/-1 +/-2 +/-3 +/-4)		**(6,373,987)**	**(7,424,772)**
B) Cash flow from Investing Activities			
6. Payments for investments (-)		**(2,698,218)**	**(1,434,718)**
b) Intangible fixed assets.	4	(2,588,148)	-221,56
c) Tangible fixed assets.	5	-110,07	(1,145,528)
e) Other financial assets.		0	-67,63
7. Receipts from divestments(+)		**0**	**2,364**
c) Tangible fixed assets.		0	142
e) Other financial assets.		0	2,222
8. Cash flow from investing activities (7-6)		**(2,698,217)**	**(1,432,353)**
C) Cash flow from financing Activities (7-6)			
9.Receipts and payments for equity instruments.		**2,449,874**	**1,573,214**
a) Issuance of equity instruments.	8.1.a)	2,472,700	1,438,799
c) Acquisition of own equity instruments.	8.1.b)	-206,908	-205,321
d) Disposal of own equity instruments.	8.1.b)	184,082	339,736
10.Receipts and payments for financial liability instruments.		**4,277,452**	**6,958,738**
a) Issuance.			
2. Debts with financial institutions (+).		509,796	4,587,780
5. Others (+).	9.3.b)	5,600,000	4,85
b) Return and amortization of			
2. Debts with financial institutions (+).		-932,344	-834,904
4. Others (+).	9.3.b)	-900	(1,644,138)
11. Payments for dividends and remuneration of other equity instruments.		**0**	**0**
12. Cash flow from financing activities (+/-9+/-10-11)		**6,727,326**	**8,531,952**
D) Effect of changes in exchange rates.		**241,35**	**57,771**
E) Net increase/decrease in cash or cash equivalents (+/-A +/-B +/-C +/-D)		**(2,103,528)**	**267,402**
Cash or cash equivalents at the beginning of the period.		2,733,267	2,172,169
Cash or cash equivalents at the end of the period.		629,738	1,904,767

The attached explanatory notes 1 to 15 form an integral part of these Consolidated Financial Statements as at 30 June 2024.

1. Nature and main activities of the Group

a) Parent Company

FACEPHI BIOMETRIA S.A. (hereinafter the Parent Company) was incorporated for an indefinite period on 26 September 2012 before the notary public Ignacio J. Torres López. Its registered address is Calle México 20, Alicante, Spain.

According to the Articles of Association, its corporate purpose is the following:

- Research, development and marketing of all kinds of information technology material: hardware, software and home appliances.

- Online sales on the Internet and/or similar distribution channels, import, export, representation, marketing, distribution, dealership, wholesale and retail sale, assembly, handling, manufacture and provision of related hardware, software services on physical support and through the sale of licenses for use, electronic products and components, electrical home appliances and telecommunications.

- Performance of Internet-based activities and provision of information and training services.

- Development, construction, acquisition, conveyancing, representation, leasing (except financial leasing), subleasing, installation or direct or indirect operation of consultancy services, urban land management, administration, custody and management of all kinds of real property, plots classified in any zoning category, buildings, single-family dwellings, apartments, condominiums, sports fields, residential buildings, premises and industrial or business facilities, hospitality establishments. All the above furnished or unfurnished, acting on its own behalf or that of third parties and with property of public and private ownership.

Currently, the main activity of FacePhi Biometría S.A. and subsidiaries (hereinafter the FacePhi Group or the Group) consists of marketing and implementation of biometric facial recognition software developed by the Group itself and classified in category 845 for the purposes of the Tax on Economic Activity.

The Group has been listed on BME Growth in the expanding enterprise segment since 1 July 2014 and on Euronext Growth in Paris since 25 February 2020.

Therefore, the Group is subject to the control and supervision regime provided for under Regulation (EU) 596/2014 on market abuse, the consolidated text of the Securities Market Act approved by Royal Legislative Decree 4/2015 of 23 October and concordant provisions and by the Circulars issued by BME Growth.

b) Subsidiary and associated companies

Consolidation was performed by the full consolidation method on all subsidiaries, i.e., companies in which the Parent Company directly or indirectly exercises – or may exercise – its control, understood as the power to direct the financial and operating policies of a company in order to obtain economic benefits from its activities. This circumstance is evidenced (in general, but not exclusively) 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 the consolidation perimeter on the date on which said control is relinquished.

The following table shows details, including the main activity and the registered address, of the companies that form part of the FacePhi Group:

Group Trading Company (Art. 42 Com. Code)	% Holding	Reg. address:	Main activity
FacePhi Biometría, S.A.	Parent Company	Alicante (Spain)	Marketing of biometric facial-recognition systems
FacePhi APAC Ltd	100%	Pangyo (South Korea)	Marketing of biometric facial-recognition systems
Celmuy Trading, S.A.	100%	Montevideo (Uruguay)	Marketing of biometric facial-recognition systems
Facephi Beyond Biometrics, Ltd.	100%	London (UK)	Marketing of biometric facial-recognition systems

The following was the equity position of the subsidiaries obtained from the unaudited accounting records as at 30 June 2024 and 31 December 2023 (as appropriate):

	FacePhi APAC (*)		Celmuy Trading (*)		Facephi Beyond Biometrics (*)	
Euros	**30.06.2024**	**31.12.2023**	**30.06.2024**	**31.12.2023**	**30.06.2024**	**31.12.2023**
Called capital	516,39	516,39	187	187	116	116
Issue premium	---	---	---	---	---	---
Reserves	-188,667	-212,63	154,581	43,45	(3,018,934)	-909,089
Outcome of the financial year	310,557	16,409	77,514	111,087	-924,592	(2,109,845)
Conversion differences	-115,443	-79,445	-10,16	-9,491	-72,349	-893
Subsidies	---	---	---	---	---	---
Net Equity	**522,837**	**240,724**	**222,122**	**145,233**	**(4,015,759)**	**(3,019,711)**
% Holding	100%	100%	100%	100%	100%	100%
Theoretical value of holding	**522,837**	**240,724**	**222,122**	**145,233**	**(4,015,759)**	**(3,019,711)**

(*) Exchange value of the South Korean Won (KRW) and Uruguayan Peso (UYU) and Pound Sterling (GBP) to Euro according to the conversion criteria set forth in Note 3.1.

c) Changes to the consolidation perimeter

Celmuy Trading S.A. was incorporated under the laws of Uruguay on 11 August 2020 and registered in the Single Tax Registry of said country with number 218731960012. It is subject to the commercial law of its country of origin. The Parent Company acquired 100% of its equity on 25 April 2021 and it remained inactive from its incorporation date until February 2022, which is why it did not form part of the consolidated Group on 31 December 2021 but was included within the consolidation perimeter for the 2022 financial year.

On 26 May 2022 Facephi Beyond Biometrics Ltd was registered in the Companies House for England and Wales under number 14135809. It was registered with a capital of 100 pounds sterling (GBP), fully paid up in the 2023 financial year. It was included in the consolidation perimeter on its incorporation date in the 2022 financial year.

There were no changes to the consolidation perimeter during the period of six months ended on 30 June 2024.

d) Business combinations

Acquisition of Ecertic Digital Solutions, S.L.

On 20 April 2020 the purchase agreement for acquisition of 100% of the share capital of the trading company Ecertic Digital Solutions, S.L. – until then a technology supplier – was executed for the sum of two (2) million euros. Group management considers that this transaction achieves the strategic objective of boosting the digital on-boarding service in its commercial portfolio and consolidating its leadership in the field of identification and authentication at both the domestic and the international levels. The transaction was settled by cash for the sum of 1,159,999 euros and provision of 164,706 of the Parent Company's treasury shares for 840,001 euros, the fair value of the transferred shares.

The fair value of the assets and liabilities of Ecertic together with their book value before the acquisition were entered as follows once the Company had been acquired:

Euros	**Book value**	**Fair value**
Intangible Assets	293,666	1,920,360
Tangible fixed assets	13,456	13,456
Trade debtors and other accounts receivable	120,329	120,829
Cash and cash equivalents	7,474	7,474
Deferred tax liabilities	(38,723)	(38,723)
Trade creditors and other accounts payable	(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 entails the existence of an implicit goodwill fund amounting to 1,627,194 euros attributed to the technology provided by said company for development of the digital on-boarding solutions that the Group currently markets and is recognised on the Consolidated Balance Sheet under the head of "Information Technology Applications" in the intangible assets account.

The merger agreements signed on 2 November 2021 and the project issued by the governing bodies of the absorbing company FACEPHI BIOMETRÍA, S.A. and the absorbed entity ECERTIC DIGITAL SOLUTIONS, S.L. were executed and notarised on 3 March 2022 with the applicable content and requirements laid down for this purpose in articles 30 and 31 of Act 3/2009 of 3 April on structural changes to trading companies.

The governing bodies of the two companies approved the merger transactions in accordance with the project on 9 November 2021. The absorbed company was acquired and liquidated by universal succession of its assets and the respective merger Balance Sheets as at 30 September 2021 were also approved. The effective carrying date of the absorbed company's transactions was 1 January 2022.

In compliance with Article 51 of the Trading Companies Structural Changes Act, it was not necessary to seek approval of the merger from the General Meeting of the absorbed limited liability company since the absorbing company was the direct owner of 100% of the former's share capital.

The following is the merger entry recognised in the Parent Company's accounting records on 1 January 2022:

	Euros	
Accounts	**Debit**	**Credit**
Intangible fixed assets	1,267,704	
Tangible fixed assets	8,367	
Trade debtors and other accounts receivable	15,815	
Group trade accounts	382,548	
Treasury	45,683	
Merger reserves	592,985	
Subsidies		61,484
Deferred tax liabilities		20,495
Short-term debts		(3,842)
Short term debts with Group companies		192,196
Trade creditors		42,771
Shares in Ecertic		2,000,000
Total	**2,313,102**	**2,313,102**

e) Joint ventures

In the 2022 financial year the Parent Company formed part of "UTE DH Healthcare Provider Software Spain, S.L.U – Facephi Biometria, S.A." with a 21.08% holding in the consortium domiciled in Madrid that was incorporated to execute the object of the contract awarded by the Directorate of the National Institute of Health Management (INGESA) for installation and integration of a master system for hospital patients with biometric identification for the Melilla District Hospital, the Ceuta University Hospital and the Ceuta and Melilla primary attention system.

The estimated value of the contract is 711,490 euros and the execution period is 38 months. Since the activity had not commenced as at the drafting date of these financial statements, the entity lacks both assets and liabilities and has not yet generated either income or expenditure. Accordingly, the status of the current contract is not considered to constitute a material contingency.

2. Reporting criteria of the Consolidated Interim Financial Statements

a) Regulatory financial reporting framework applicable to the Group

These Consolidated Interim Financial Statements have been drawn up by the Parent Company's Board of Directors in accordance with the regulatory financial reporting framework for applicable to the Group as set forth in the following legislation:

- the Commercial code,

  Royal Decree 1514/2007 of 16 November that adopts the General Accounting Plan and its subsequent modifications incorporated by Royal Decrees 1159/2010 of 17 September, 602/2016 of 17 December and 1/2021 of 12 January;

- Royal Decree 1159/2010 of 17 September that approves the rules for drafting consolidated annual financial statements in all aspects that do not contradict other provisions of the applicable financial information regulatory framework
- and other provisions of the applicable regulatory financial reporting framework.

b) True and fair image

These Consolidated Interim Financial Statements have been drawn up on the basis of the Group's accounting records in accordance with the regulatory financial reporting framework set forth above and with the accounting principles and criteria contained in the same and in particular with the accounting rules and criteria contained in the same, in order to provide a true image of the Group's consolidated equity, financial position, accounting outcomes and the accuracy of the flows contained in the Consolidated Cash Flow Statement for the period under review.

The attached Consolidated Interim Financial Statements have been drawn up in order to comply with the requirement to report interim financial information as at 30 June 2024 to the BME Growth as set forth in circular 3/2020 of the same.

These Consolidated Interim Financial Statements are presented in euros – the Group's functional and reporting currency – rounded up or down to the nearest whole number.

There are no exceptional reasons why accounting-related legal provisions have not been applied to show the true and fair view.

c) Non-mandatory accounting principles

No non-mandatory accounting principles have been applied. The Parent Company's Board of Directors has also drawn up these Consolidated Interim Financial Statements taking all the mandatory accounting principles and standards that have a significant effect on the same into consideration. No mandatory accounting criterion has been ignored.

d) Critical aspects of valuation and uncertainty estimates

The Parent Company's Directors are responsible for the information contained in these explanatory notes, drafting of which requires the Group's senior managers to form certain opinions, estimates and assumptions that affect application of the regulations and the value of assets, liabilities, revenues, expenses and commitments. These estimates and assumptions are based on historical experience and other factors that are considered reasonable under the current circumstances. The following is a breakdown of the aspects that have entailed a greater degree of judgement and complexity or those for which the hypothetical assumptions and estimation have been most significant during drafting of the attached Financial Statements.

- *Impairment of non-current assets*: valuation of non-current assets other than financial assets requires making estimations to determine their recoverable value for the purposes of assessing their potential impairment. To determine this recoverable value, the Parent Company's directors estimate the expected future cash flows 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 said cash flows. The cash flows depend on fulfilment of the projections included in the business plan for the next five financial years while the discount rates depend on the interest rate plus the risk premium (see note 3.4).

- *Deferred tax assets* are recognised for all deductible temporary differences, negative tax bases pending compensation and deductions pending application for which it is probable that the Group will have future taxable earnings that enable application of these assets. Taking the amounts and dates on which future taxable profits will be obtained and the reversal period of taxable temporary differences into account, the Group's directors must make significant estimates to determine the amount of deferred tax assets that can be recognised. As at 30 June 2024, the Group has recognised deferred tax assets for a total of 4,520,806 euros (4,901,032 euros at 31 December 2023) for taxable bases pending compensation and rebates pending application (see note 10).

These estimates are made on the basis of the best information available on the events under analysis on the drafting date of the Consolidated Interim Financial Statements. Nevertheless, it is possible that future events may make it necessary to change them (upwards or downwards) in coming financial years. Said changes, if any, will always be made in a prospective manner in accordance with the provisions of Rule 22 of the General Accounting Plan, recognising the effects of any changes in the estimates in the associated Consolidated Income Statement.

e) The Group as a going concern

The Group reported a loss before taxes amounting to 6,078,000 euros during the six months ended on 30 June 2024 (4,513,000 euros as at 30 June 2023) and a negative normalised EBITDA (net of impairment and severances) of 2,513,000 euros (2,432,000 euros in the red at the end of the first half of 2023)

At the end of the first half of 2024 the Group's net equity amounted to 16,223,000 euros (20,043,000 at the end of 2023). As at 30 June 2024, the Group has recognised convertible debt from investors in Current Liabilities amounting to 5,000,000 euros and 600,000 euros respectively (note 9.3), which is expected to be converted before the end of the 2024 financial year. On 14 May, the Parent Company entered into a loan agreement with Hancom Inc. as a credit to be offset for the sum of 5,000,000 euros (this is the convertible debt for the same amount mentioned above) at a fixed interest rate of 0.2% per annum. On 10 July the Directors proposed and approved a capital increase for a total (par value plus premium) of 5,001,306 euros to offset the aforesaid credit plus the associated accrued interest (Note 15).

Working Capital was in the red by 8,520,000 euros at the end of the first half of 2024 (minus 3,294,000 euros at the end of 2023). However, it should be noted that the convertible debts mentioned above have a significant impact on the working capital and the above figure would subsequently be reduced to minus 2,920,000 euros.

On the drafting date of these Consolidated Interim Financial Statements there are various mitigating factors – although some of them are subject to degree of uncertainty – in connection with the financial situation set forth above. For this reason, the Parent Company has drawn up a cash flow projection for the next eighteen months (Jul '24-Dec '25) in order to identify its short-term financing needs. The following conclusions can be drawn from this data:

- the projections estimated by the Company for the aforesaid 18-month period take into account the fact that total cash inflows from operating activities will represent between 75% and 79% of the outflows or between 83% and 89% if tranches B and C of the syndicated financing mentioned in the following point are renewed after their maximum maturity date in December 2025;
- the Parent Company has two revolving credit lines to finance its working capital needs: tranches B and C of the syndicated credit line, the nominal limit of which is seven million euros, 6.7 million of which had been drawn down as at 30 June (note 9.2) and the associated syndicated credit contract of which is currently in the renegotiation phase;
- taking the maximum maturity of the current working capital lines into account as at December 2025, the incoming flows associated with financing should cover around 20% of the estimated outgoing flows and Nice&Green – the Company's main shareholder that will continue to support the growth of the business until 2025, the financial year in which Group management forecasts positive consolidated EBDITA (operating cash flow) – is expected to provide at least half of this financing flow;
- on 17 January 2024, the Parent Company entered into a Contract Addendum with Nice&Green that approves a cash flow of 4.2 million euros for 2024 (3.5 million euros net of the 700,000-euro loan), of which 2.4 million had already been disbursed as at 30 June 2024 (2 million euros net for repayment of other loans with the same shareholder) and the remaining 1.8 million (1.5 million euros net) was disbursed in August (note 15).
- On the drafting date of these Consolidated Interim Financial Statements the Parent Company also entered into a new financing commitment with Nice&Green for the sum of 2 million euros (Note 15), and is currently negotiating another loan of at least an additional 3 million euros to be available during the first half of 2025.
- Moreover, the Parent Company expects to obtain another 1.6 million euros of revenue from monetization of R&D deductions generated in the previous financial year. The Parent Company is also at the signature phase of a tax lease agreement that will entail another 2 million euros of revenue.

In view of these circumstances, the Parent Company's Board of Directors estimates that the expected cash flows resulting from operations, together with those currently under negotiation and additional searches for new financing will enable the Group to meet its current liabilities and finance its expansion plans. For this reason, the attached Consolidated Interim Financial Statements have been drawn up under the going-concern principle, i.e., on the assumption that the Group will continue its business activity.

f) Comparison of information

The period under review consists of the six months between 1 January 2024 and 30 June 2024. The Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Equity as at 31 December 2023 are included herein for comparative purposes and the six-month period from 1 January 2023 to 30 June 2023 is also included as a comparative period in the Consolidated Income Statement and the Consolidated Statement of Cash Flows.

g) Changes in accounting criteria and correction of errors

As at 30 June 2024 the Group has not made any restatement for changes of accounting criteria with respect to those applied to the 2023 financial year. The Group has rectified errors originating in previous financial years that entail a reduction of 131,777 euros in reserves and increase capital subsidies by 126,825 euros, movements that lack the importance that would require restatement of figures in the previous year's financial statements.

3. Recognition and valuation rules

The following are the main recognition and valuation standards employed by the Facephi Group when drawing up these Consolidated Interim Financial Statements:

3.1 Consolidation principles

The following are the main criteria used in consolidation.

Acquisition of control

Acquisitions by the Parent Company (or any other Group company) to obtain a controlling interest in a subsidiary constitutes a business combination that is accounted for using the acquisition method. This method requires the acquiring company to recognise the acquired identifiable assets and liabilities at full fair value on the acquisition date in a business combination and, as required, the associated goodwill or negative difference. Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from the consolidation perimeter on the date on which said control is relinquished.

The acquisition cost is deemed to be the sum of the fair values at the acquisition date of the acquired assets, liabilities, the equity instruments issued by the acquirer and the fair value of any contingent consideration that depends on future events or fulfilment of certain conditions, which must be recognised as an asset, a liability or as net equity according to their nature.

Expenses related to the issuance of equity instruments or the financial liabilities assumed do not form part of the price of the business combination and are recognised in accordance with the regulations applicable to financial instruments. Fees paid to legal counsel or other professional persons involved in the business combination are recognised as expenses as they are incurred. Neither do internal costs incurred for these items or any other applicable expenditure that the acquired entity would have incurred in any case form part of the cost of the business combination.

The excess of the price of the business combination on the acquisition date over the proportional part of the value of the identifiable assets acquired minus that of the liabilities assumed that represents the holding in the aquired group's capital is recognised as goodwill. In the exceptional event that this amount exceeds the cost of the business combination, the excess shall be recognised as revenue in the Income Statement.

Since there is effective control, the assets, liabilities, income, expenditure, cash flows and other items in the Group companies' Individual Interim Financial Statements are included in the Group's Consolidated Interim Financial Statements using the full consolidation method.

Effective control is understood to exist in relation to subsidiaries in which the Parent Company has a direct or indirect holding in excess of 50% that entails control of the majority of the voting rights in the associated governing bodies.

This method requires the following:

Temporal homogenisation

The subsidiaries' Individual Interim Financial Statements are drawn up on the same date and for the same period as the Consolidated Interim Financial Statements of the Group company required to consolidate.

Valuation homogenisation

Assets, liabilities, income, expenditure and other items in the Group companies' Interim Financial Statements have been valued by applying identical methods. The valuation of any asset, liability, income or expenditure assessed according to criteria different from those applied for consolidation have been valued again and the required restatements have been made for the sole purpose of consolidation.

Aggregation

Items of the previously-harmonised Individual Interim Financial Statements are aggregated according to their nature.

Elimination of investment - net equity

The book values representing the subsidiary's equity instruments directly or indirectly owned by the Parent Company are offset with the proportional part of the equity items of the aforesaid subsidiary attributable to these holdings. In general, this compensation is made on the basis of the values resulting from applying the acquisition method as set forth above. In consolidations subsequent to the financial year in which the Parent Company acquired control, the excess or shortfall of the equity generated by the subsidiary from the acquisition date shall be reported in the Consolidated Balance Sheet under the head of *Reserves* or *Restatements due to value changes* in accordance with their nature. The part attributable to the external partners is entered under the head of "External partners".

Holdings by external partners

There were no external partners as at 30 June 2024 or during the 2023 financial year.

Elimination of intragroup items

Credits and debts, income and expenditure and cash flows between Group companies have been totally eliminated. Furthermore, all outcomes produced by internal transactions are eliminated and deferred until they are charged to third parties outside the Group.

Conversion of the Consolidated Interim Financial Statements of companies incorporated under the laws of foreign countries

All assets and liabilities of companies the functional currency of which is different from the euro and that are included in the consolidation are converted to euros using the exchange rate at the end of each year.

Items in the Income Statement have been converted at the exchange rates on the dates on which the associated transactions were performed.

Once the portion of the difference pertaining to non-controlling interests that appears under the head of Non-controlling interests in Net Equity on the consolidated balance sheet has been subtracted, the difference between the amount of equity of foreign companies including the Income Statement balance calculated in accordance with the previous section, converted at the historical exchange rate and the net equity resulting from conversion of assets and liabilities in accordance with the first paragraph, are entered with a positive or negative sign, as required, to Net Equity on the Consolidated Balance Sheet under the head of Conversion Differences.

Goodwill and restatement of fair value of Balance Sheet items that arise when acquiring a holding in a foreign undertaking are treated as assets and liabilities of the acquired entity and are therefore converted at the interest rate at year’s end and the exchange differences that arise in the aforesaid account are entered to Conversion Differences.

3.2 Business combinations

Business combinations are considered to consist of transactions in which a company gains control of one or more undertakings, understood as an integrated group of activities and assets that can be managed to provide earnings or to lower costs or provide the owners with other benefits.

The merger, spin-off and non-monetary contribution transactions of a business between Group companies are recognised by valuing the equity instruments acquired at their book values in the Consolidated Financial Statements of the last Spanish parent company on the date on which the transaction was performed. Any differences that may arise are entered against reserves. The effective accounting date is the start date of the financial year in which the transaction is approved.

Merger or spin-off transactions other than the above and business combinations arising from acquisition of all the equity components of an undertaking or of a party that constitutes one or more businesses, are recognised by valuing the acquired equity components by the acquisition method. This means that these assets and liabilities will be valued as a general rule at their fair value on the date of the transaction provided that this can be reliably measured and, as required, the difference between the cost of the business combination and the value of said assets and liabilities will be entered as goodwill if it is positive or as income in the Income Statement if it is negative. The acquisition date is the date on which the acquiring company gains control of the target enterprise or enterprises.

3.3 Joint ventures

In accordance with the currently applicable commercial legislation, for integration and accounting recognition of transactions carried out with temporary consortiums (UTE) of which the Group is a member, the proportional part of the UTE’s balances shall be accounted for in the Consolidated Balance Sheet and Income Statement as a function of the percentage Group’s holding. This addition shall be performed once the required homogenisation and elimination of the transactions between the Group and the UTE have been carried out in proportion to the associated holding, the asset and liability balances and the reciprocal income and expenditure.

3.4) Intangible fixed assets

Assets entered under the head of Intangible Fixed Assets are recognised at their acquisition price or production cost. Intangible fixed assets are reported at cost minus depreciation and, as appropriate, minus any accumulated value restatements due to impairment.

Intangible fixed assets are assets with a defined useful life and therefore must be written off over their useful economic life defined as the time during which it is reasonably expected that the financial benefits inherent to the asset will produce returns for the company.

These assets are amortised over a period of ten years when their useful life cannot be estimated.

a) Software development expenses

The *development expenses* of the information technology applications that are subsequently marketed are capitalised at the time all the following conditions are met:

- there is a specific, individualised project that enables reliable assessment of the disbursement attributable to completion of the same;
- allocation, attribution and distribution over time of the costs of each project are clearly established;
- there are well-founded reasons for a technically successful conclusion to the project at all times, whether the Company intends to operate it directly or to sell resulting product to a third party if there is a market for the same once the project is concluded;
- the financial-commercial profitability of the project is reasonably assured;
- financing to complete the projects in question is reasonably well assured; in addition to the availability of suitable technical or other resources to complete the project and to use or sell the intangible fixed asset, financing to enable completion of the projects is reasonably assured;
- the Group intends to finish the intangible fixed asset in question in order to use or sell it.

Fulfilment of all the above conditions is verified over all the financial years during which the project is developed. The amount capitalised is that applicable the moment all the aforesaid conditions are fulfilled.

Own personnel expenses and the costs of the services acquired from third parties that have participated in development of the applications and computer software are included as increased costs of the same with payment under the head of "Work carried out by the Group for its fixed assets" in the Consolidated Income Statement.

Other development expenses are recognised as expenses when they are incurred. Development costs previously recognised as expenses are not restated as assets in subsequent years. In accordance with the conditions indicated above in this section, capitalised development costs are amortised on a straight-line basis during their estimated useful life – which shall not exceed five (5) years – for each project.

In the event of a change in the favourable project circumstances that enabled development expenses to be capitalised, the portion pending amortisation will be charged to income for the financial year in which said circumstances changed.

Estimates of impairment of intangible assets are based on calculation of the future cash flows derived from fulfilment of the business plan drawn up by Group management and updated at a market discount rate. Said plan supports the commercial success of capitalised development spending and the expectation that it will be recovered.

As at 30 June 2024 the Parent Company estimates that there is no indication of impairment of intangible assets since the directors are reasonably sure that the business plan will be fulfilled, which means that on the basis of their forecasts, all the intangible assets and tax credits will be fully recovered in coming financial years.

b) Software

Computer program licenses acquired from third parties are capitalised on the basis of the costs incurred for acquisition of the programs and for configuring them for use in specific applications. These costs are written off over their estimated useful lives on a straight-line basis over a period of between four (4) and six (6) years.

Expenses related to maintenance of computer programs are recognised as expenses when they are incurred. Costs directly related to the production of unique and identifiable computer programs controlled by the Group and which are likely to generate earnings in excess of costs for more than one year are recognised as computer programs in Intangible Assets. Direct costs include the personnel costs of the software development and an appropriate percentage of overheads.

Computer program development costs recognised as assets are written off over their estimated useful lives (not exceeding 5 years).

c) Intellectual property

Intellectual property is valued at its acquisition cost or that of the right to use or to assign the use of the various versions of the program provided that, due to the contractual monetary conditions, said assets are posted to the inventory of the acquiring company. Intellectual property includes but is not limited to: patents for inventions, utility model protection certificates, industrial design and other modalities consistent with the applicable legislation.

Intellectual property rights are valued at the acquisition price or production cost. The book value of development expenses capitalised at the time the associated patent or similar right is obtained – including the cost of registration and formalisation of the intellectual property – are recognised as such provided that the legal conditions required for registration in the appropriate registry are met and without prejudice to the amounts that could also be recognised for acquisition of the associated rights from third parties. Research expenses continue to be written off at the same rate and under no circumstances shall they be posted to the book value of the intellectual property. The useful life is estimated at between 3 and 20 years.

3.5 Tangible fixed assets

Property, plant and equipment are recognised at acquisition price or production cost minus accumulated depreciation and the accumulated cost of recognised impairment losses.

The costs of the extension, modernisation or improvement of tangible fixed assets are incorporated within the asset as an increase in its value only if they represent an increase in its capacity, productivity or an extension to its useful life, and wherever it is possible to calculate or estimate the book value of the elements cancelled from the inventory having been replaced.

Major repair costs are capitalised and written off over their estimated useful life. Recurring maintenance expenses are charged to the Income Statement for the financial year in which they are incurred.

With the exception of land, which is not depreciated, depreciation of property, plant and equipment is calculated on a straight-line basis depending on the nature of the asset and taking the wear and tear actually suffered due to its operation, use and enjoyment into account.

The following are the estimated depreciation data of the main items:

Item		Annual percentage	Years of useful life	Method
Buildings (*)		10%	10	Straight-line
Other facilities		10%	10	Straight-line
Furnishings		5% - 10%	10 / 20	Straight-line
I.T. equipment		13% - 25%	4 - 7	Straight-line
Other tangible fixed assets		10% - 20%	5 / 10	Straight-line

(*) 10 years taking the leasing period of the property into account.

The residual value and useful life of assets are reviewed and, if necessary, restated on the date of each Consolidated Balance Sheet.

The value of an asset is immediately reduced to its recoverable amount whenever its book value is higher than its estimated recoverable amount.

Income and losses from the sale of property, plant and equipment are calculated by comparing the income obtained from the sale with the book value and are recorded in the Consolidated Income Statement.

3.6 Impairment of non-financial assets

The directors assess whether there are indications of impairment of non-current assets at least at the close of each financial year. Their recoverable values are estimated if such evidence is found.

The recoverable amount is the fair value minus the cost of sale or the value in use, whichever is higher. A loss by impairment is recognised if the book value is higher than the recoverable amount. Value in use is the net present value of expected future cash flows using risk-free market interest rates adjusted for the specific risks associated with the asset. The recoverable value of assets that do not generate cash flows largely independent of those derived from other assets or groups of assets is determined by the cash-generating units to which said assets belong.

Valuation restatements for impairment and reversal of the same are recognised in the Consolidated Income Statement. Except for those associated with goodwill, valuation restatements for impairment are reverted when the circumstances that gave rise to them cease to exist. Reversion of impairment is limited to the book value of the asset that would be applicable if the associated impairment had not been previously recognised.

The Parent Company's directors have updated their five-year business plan that forms the basis on which a new impairment test for non-financial assets will be conducted.

3.7 Financial assets

Classification of financial instruments

Financial instruments are classified at the time of initial recognition as financial assets, financial liabilities or equity instruments depending on the definition of their financial nature in the contractual agreement and on the definitions of financial asset, financial liability or equity instrument.

The Group classifies financial instruments into one category or another depending on their characteristics and the governing body's investment strategy at the time of initial recognition.

Compensation criteria

Financial assets and liabilities are subject to compensation only when the creditor has an enforceable right to compensate the amounts recognised and intends to settle the net amount or to simultaneously liquidate the asset and cancel the liability.

Assets at amortised cost

If the Group holds an investment solely for the purpose of receiving cash flows arising from execution of the contract and the contractual conditions of the financial asset entail cash flows that are exclusively payments of capital and interest on the outstanding principal on specific dates, the financial asset shall be recognised in said category even when it is listed for trade on an organised market.

As a general rule, this category includes debits for both trade and non-trade transactions:

a. credits for trade transactions: these are financial assets that originate in the disposal of goods and provision of services for the Group's trade transactions with deferred payment, and

b. credits for non-trade transactions: these are financial assets which – not being equity instruments or derivatives do not originate in trade transactions and the collection of which is a specific or specifiable amount – arise from transactions involving loans or credits granted by the Group.

Initial valuation

Financial liabilities classified in this category are initially recognised at fair value which, unless there is evidence to the contrary, will be the transaction price which in turn is equal to the fair value of the consideration plus any transaction costs directly imputable to the liability in question.

Notwithstanding the above, credits for trade transactions with maturity at no more than one year that do not have a contractual interest rate, credits to personnel, dividends pending collection and demand disbursements on equity instruments may be valued at their face value when the effect of not updating the cash flows is not significant.

Subsequent valuation

Financial assets recognised in this category are valued at their amortised cost. Accrued interest is charged to the Income Statement on the basis of the effective interest rate method.

Nevertheless, credits with a maturity of no more than one year which – in accordance with the provisions of the above section are initially recognised at par – will continue to be valued at said amount unless they have been impaired.

The Group will consider whether an impairment loss should be recognised if the contractual cash flows of a financial asset change due to the issuer's financial difficulties.

Value impairment

The required valuation restatements must be made at least at the end of each financial year if there is objective evidence that the value of a financial asset or a group of financial assets with similar collectively-assessed risk characteristics has suffered impairment as a result of one or more events having occurred after their initial recognition and which cause a reduction or delay – that may be due to the debtor's insolvency – in the estimated future cash flows.

Losses due to value impairment of these financial assets shall be the difference between their book value and the net present value of their estimated future cash flows, including any flows originating in the estimated outcome of execution of real or personal guaranties, discounted at the effective interest rate at the time of initial recognition of the asset. The effective interest rate on the closing date of the Consolidated Financial Statements shall be used for financial assets with variable interest rates in accordance with the contractual conditions. Models based on statistical formulas or methods may be used to calculate impairment losses on a group of financial assets.

Impairment losses and reversal of the same shall be recognised as expenses or revenue respectively in the Consolidated Income Statement if the amount of such losses decreases for reasons related to a subsequent event. Reversal of the impairment is recognised as income and is limited to the book value of the financial asset that would be recognised on the reversal date if the impairment had not been posted.

Notwithstanding the above, provided there is a sufficiently reliable estimate of the recoverable amount, the Group may take the market value of instruments traded on an open market as a substitute for calculation of the present value of future cash flows.

Recognition of interest on financial assets with credit impairment will follow the general rules, without prejudice to the fact that at the same time the Group must assess whether said amount will be recovered and, if necessary, account for the associated impairment loss.

Financial assets carried at cost

The following securities shall be included in this category:

a) Investments in the equity of non-consolidated group, multi-group and associated companies as defined in rule 13 on drafting of annual financial statements in the Spanish General Accounting Plan;

b) all other investments in equity instruments the fair value of which cannot be determined by reference to a quoted price on an active market for an identical instrument or cannot be estimated reliably and all derivatives for which said instruments are the underlying security;

c) hybrid financial assets the fair value of which cannot be reliably estimated unless the requirements for their recognition at amortised cost are met;

d) contributions made as a consequence of an equity account or similar contract;

e) equity loans the interest of which is contingent in nature, either because a fixed or variable interest rate is conditional upon the borrowing company achieving a milestone (for example, making a profit) or because said interest is calculated exclusively by reference to variations in the activity of the company in question;

f) all other financial assets that would initially be classified in the fair value portfolio with changes in the income statement when a reliable estimate of their fair value cannot be obtained.

Initial valuation

Investments in this category will be initially valued at cost, which will be equivalent to the fair value of the consideration paid plus the transaction costs directly attributable to them. In the case of transactions between Group companies, the applicable criteria set forth in section 2 of Recognition and Valuation rule 19 and the criteria for determining the cost of the combination set forth in the Business Combination rule of the General Accounting Plan must be applied.

Nevertheless, in the event of an investment made prior to classification of the entity as a group, multi-group or associate company, the cost of said investment will be considered to be its book value immediately before the company became a member of the group.

The value of any preferential subscription rights and any similar items acquired will form part of the initial valuation.

Subsequent valuation

Financial assets recognised in this category are valued at cost minus the accumulated amount of value restatements due to impairment, if any.

If a value is to be assigned to these assets due to deregistration from the Balance Sheet or any other reason, the weighted average cost method by homogeneous groups – understood as securities with equal rights – shall be applied.

The cost of preferential subscription and other similar rights will decrease the book value of the respective assets in the event of sale or separation of the same in order to exercise them. Said cost shall be determined by applying a generally-accepted valuation formula.

Payments made as a result of a joint venture or similar agreement will be valued at cost, increased or decreased by any profit or loss attributable to the company as a non-managing partner and minus any accumulated impairment valuations as required.

The same criteria shall be applied to equity loans the interest of which is contingent in nature, either because a fixed or variable interest rate conditional upon the borrowing company achieving a milestone (for example, making a profit) is agreed or because said interest is calculated exclusively by reference to variations in the activity of the company in question. If, in addition to contingent interest, an irrevocable fixed interest rate is agreed, the latter shall be entered as financial income as it accrues. The transaction costs shall be attributed to the Income Statement on a straight-line basis throughout the life of the equity loan.

Value impairment

The required valuation restatements must be made at least at the end of each financial year if there is objective evidence that the book value of an investment will not be recovered.

The amount of the valuation restatement will be the difference between the carrying value and the recoverable amount understood as the fair value minus cost of sale or the present value of the future cash flows from the investment, whichever is greater. In the case of equity instruments, the amount of the restatement shall be calculated either by estimating the expected cash flows as a result of allocation of dividends by the investee and disposal or write-off of the investment in the same or by estimating the Company's share of the cash flows expected to be generated by the investee from both its ordinary activities and from disposal or write-off of the same.

In the absence of better evidence of the recoverable amount of investments in equity instruments, the impairment loss estimate for this class of assets will be calculated on the basis of the equity of the investee and the tacit capital gains existing at the valuation date net of tax effect. Provided that the investee has invested in another company in turn, this value shall be calculated by taking the net equity set forth in the Consolidated Financial Statements into account and applying the criteria of the Commercial Code and its development rules.

If the investee company is domiciled outside Spanish territory, the net equity to be taken into account will be annotated according to the rules set forth in the General Accounting Plan. However, if high inflation rates are involved, the values to be considered will be those resulting from the restated financial statements as set forth in the foreign currency rule.

As a general rule, the indirect equity-based estimation method may be used in cases where it can be applied to demonstrate a minimum recoverable amount without the need for a more complex analysis when it can be inferred that no impairment has occurred.

Recognition of value impairment restatements and their reversal, if any, will be entered respectively as an expense or as revenue in the Consolidated Income Statement. Reversal of the impairment will be limited to the carrying value of the investment that would have been recognised on the reversal date if the impairment had not occurred.

However, in the event of an investment in the company prior to its classification as a group, multigroup or associate company, and if valuation restatements have been made directly attributable to the equity resulting from said investment prior to the aforesaid classification, these restatements shall be maintained after the classification until the investment is disposed of or written off – at which time they shall be recognised in the Consolidated Income Statement – or until the following circumstances occur:

a) In the case of prior valuation restatements for increases in value, valuation impairment restatements will be entered against the item of equity that includes the previously-made valuation restatements up to the amount of the same and the excess, if any, will be recognised in the Consolidated Income Statement. Value impairment restatements imputed directly to Net Equity shall not be reversed.

b) In the case of prior valuation restatements due to write-downs that result in a recoverable amount greater than the carrying value of the investments, the latter will be increased up to the limit of the write-down against the item to which the valuation restatements were imputed. From that point on the resulting balance will be considered to constitute the cost of the investment. However, in the event of objective evidence of impairment in the value of the investment, the losses accumulated directly in net equity will be recognised in the Consolidated Income Statement.

Interest and dividends

Interest and dividends on financial assets accrued after acquisition are recognised as revenues in the Consolidated Income Statement. Interest from financial assets valued at amortised cost must be recognised on the basis of the effective interest rate method, and dividends when they are allocated to the shareholder entitled to receive them.

For these purposes, taking into account the maturity of the financial assets, the sum of the explicit interest accrued and not due at that moment and the sum of the dividends agreed by the competent body up to the time of acquisition are independently recognised in the initial valuation of said assets. “Explicit interest rate” is understood to mean that obtained by applying the contractual interest rate of the financial instrument.

Deregistration of financial assets

The Group will write off a financial asset, or part of it, when the contractual rights to the cash flows of the financial asset expire or have been assigned. For this to happen, the risks and benefits inherent in ownership of the asset must have been substantially transferred. Said risks and benefits are assessed by comparing the exposure of the Company to variation in the amounts and timing of the net cash flow schedules of the assigned asset before and after transfer of the same.

The risks and benefits of ownership of the financial asset shall be understood to have been substantially assigned when their exposure to said variation is no longer significant with respect to the total variation in the present value of the future net cash flows associated with the financial asset.

If the Group has not substantially assigned or retained the risks and benefits of ownership, the financial asset will be deregistered when the Group has failed to retain control of it. Occurrence of this circumstance will depend on the capacity of the transferee to unilaterally transfer the entire asset to an unrelated third party without imposing conditions. The transferring company will continue to recognise the transferred asset for the amount to which the Company is exposed to variations in the value of the same (i.e., the company is still involved with the asset) and will recognise an associated liability if the former retains control of it.

The gain or loss arising from derecognition when the financial asset is written off forms part of the consolidated outcome for the financial year in which it occurs and is determined by the difference between the consideration received net of any attributable transaction costs, taking any new asset acquired minus any liability assumed and the book value of the financial asset.

The above criteria shall also be applied to transfers of a group of financial assets or a part of the same.

3.8 Financial liabilities

Financial liabilities are classified into the following valuation categories: amortised cost financial liabilities and fair value financial liabilities with changes in the Income Statement.

Financial liabilities measured at amortised cost

The Group classifies financial liabilities into the following valuation categories: amortised cost financial liabilities and fair value financial liabilities with changes in the Income Statement.

As a general rule, this category includes debits for both trade and non-trade transactions:

a) Debits for trade transactions: these are financial liabilities that originate in acquisition of goods and services for the Group’s trade transactions with deferred payment, and

b) Debits for non-trade transactions: these are financial liabilities which – not being derivative instruments – do not originate in trade transactions but in transactions involving loans or credits received by the Group.

Initial valuation

Financial liabilities classified in this category are initially recognised at fair value which, unless there is evidence to the contrary, will be the transaction price which in turn is equal to the fair value of the consideration plus any transaction costs directly imputable to the liability in question.

Notwithstanding the above, debits for trade transactions with maturity at no more than one year that do not have a contractual interest rate and disbursements required by third parties on holdings the amount of which is expected to be paid in the short term, may be valued at their face value when the effect of not updating cash flows is negligible.

Subsequent valuation

These financial liabilities are subsequently valued at their amortised cost. Accrued interest is charged to the Consolidated Income Statement on the basis of the effective interest rate method.

Nevertheless, debits with a maturity of no more than one year which – in accordance with the provisions of the above section are initially recognised at face value – will continue to be valued at said amount.

Deregistration and modification of financial liabilities

The Group will deregister a financial liability, or part of it, when the associated obligation has extinguished; i.e., when it has been settled, cancelled, or has expired. It will also write off any of its own financial liabilities that it may acquire even when the intention is to reallocate them in the future.

The difference between the book value of the financial liability – or the part of it that has been written off – and the consideration paid including directly-attributable transaction costs that also include any assigned asset different from the cash or liability assumed, is recognised in the Consolidated Income Statement for the financial year in which it occurs.

3.9 Net equity

The share capital is represented by ordinary shares. Incremental costs directly attributable to the issuance of new shares or options are reported in Consolidated Net Equity as a deduction, net of taxes, from the amounts obtained.

a) Treasury stock instruments held by the Parent Company (own shares)

Acquisition of equity instruments by the Parent Company is recognised separately at the acquisition cost as a reduction of the equity on the Consolidated Balance Sheet. No result is recognised in the Consolidated Income Statement for transactions capitalised with treasury stock.

Transaction costs related to treasury stock are recorded as a reduction in reserves once any tax effect has been considered.

b) Capital increases by issuance of options convertible into treasury stock instruments

The Parent Company uses the stock option issuance method (equity warrants (EW)) in order to obtain financing for its expansion plans. A financial derivative is created if the fixed-for-fixed swap rule is not observed in accordance with the conditions of the options issue. The fixed-for-fixed swap rule is met if the only possible settlement of the instrument is by delivery of a fixed number of treasury shares for a fixed price.

Since the financial derivative created is not considered to constitute a hedging instrument, it is recognised at its fair value in the Consolidated Income Statement at its valuation time at each accounting closure date.

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

Variations in the fair value of the derivative during its life (that is, from the date of signature to exercise of the option), are recognised in the Consolidated Income Statement as a financial cost/revenue. The derivative is written off the Consolidated Balance Sheet on the conversion date of the options into shares and the cash received for the conversion – plus/minus the accumulated fair value of the derivative until that moment – is charged to capital and reserves (plus issue premium).

3.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand bank deposits with credit institutions. Other highly-liquid short-term investments are also included under this head provided that they are easily convertible into specified amounts of cash and that their time to maturity does not exceed three months.

The Group reports payments and receipts from high-turnover financial assets and liabilities for their net value in the Consolidated Cash Flow Statement. For these purposes, the rotation period is considered high when the period between the acquisition and the expiration dates does not exceed six months.

3.11 Classification of assets and liabilities as current or non-current

The Group classifies assets and liabilities reported on the Consolidated Balance Sheet into current or 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 capitalised, are held for sale or consumption in the course of the normal operating cycle, are held fundamentally for trading purposes, are expected to be capitalised within the twelve months following the accounting closure date or are composed of cash and cash equivalents except in cases where they cannot be exchanged or used to settle a liability within at least the twelve months following the closure date;

- liabilities are classified as current when they are expected to be settled within the normal operating cycle, are held primarily for trading, must be settled within twelve months of the closing date or there is no unconditional right to postpone cancellation of the 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 closure date even if the original term is for a longer period and there is a refinancing or restructuring agreement for long-term payments that has concluded after the closure date and before the Consolidated Financial Statements are drawn up.

All other assets and liabilities that fail to meet the conditions set forth above are classified as “non-current”.

3.12 Subsidies, donations and bequests

Reimbursable grants are recognised as liabilities until they meet the conditions to be considered non-reimbursable, while non-reimbursable subsidies are recognised directly in net equity as income on a systematic, rational basis in a manner correlated with expenses deriving from the subsidy. Non-refundable grants received from partners are recognised directly in capital and reserves.

For these purposes, a grant is considered non-refundable when there is an individualised agreement to grant the subsidy, all the conditions established for its award 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. These values are referenced to the recognition date.

Non-reimbursable grants related to the acquisition of intangible fixed assets, property, plant and equipment and real estate investments are charged as income for the financial year in proportion to the amortisation of the associated assets or, as appropriate, on disposal, restatement of their value due to impairment or when they are written off the Balance Sheet. Non-refundable grants related to specific expenses and those granted to compensate for the operating deficit in the financial year in which they are granted are recognised in the Consolidated Income Statement in the same year in which the associated expenses are accrued, except when they are used to compensate for operating deficits in future financial years, in which case they are allocated in said years.

3.13 Corporation tax

In view of the fact that the companies included within the consolidation perimeter are taxed individually for corporation tax, the consolidated tax expense is obtained by adding the expenses that the consolidated companies have estimated for said item corrected by the consolidation restatements. Said expenses are calculated on the companies' individual economic results corrected by tax criteria and taking any applicable bonuses and deductions into account.

Therefore, the corporation tax expense (income) for the financial year is calculated as the current tax – calculated by applying the tax rate to the taxable base for the financial year – minus any rebates and deductions and the variations produced in the deferred tax assets and liabilities recognised during the financial year in question.

Corporation tax is recognised in the Consolidated Income Statement except when it refers to transactions recognised directly in Net Equity (in which case the associated tax is also recognised in Consolidated Net Equity) and in business combinations (in which case it is recognised in the same accounts as the other assets of the acquired undertaking).

Deferred taxes are recorded for the temporary differences existing on the date of the Consolidated Balance Sheet between the tax base of assets and liabilities and their book values. The taxable base of an asset is considered to be the amount attributed to it for tax purposes.

The tax effect of temporary differences is posted under the heads of "deferred tax assets" and "deferred tax liabilities" on the Consolidated Balance Sheet.

Deferred tax liabilities are recognised for all taxable temporary differences except those derived from initial recognition of goodwill or other assets and liabilities in a transaction that does not affect fiscal or accounting outcomes and is not a business combination.

Deferred tax assets, on the other hand, are only recognised to the extent that it is considered probable that each individual company will have future taxable profits against which the deferred asset can be used.

The Group assesses the recognised deferred tax assets and any that have not been previously recognised on the closing date of each financial year. On the basis of this assessment the Group will then write off a previously-recognised asset if its recovery is no longer probable or enter any previously-unrecognised deferred tax asset provided that it is probable that future taxable earnings are available against which it can be applied.

Deferred tax assets and liabilities are valued at the expected tax rates at the time of their reversal in accordance with the currently applicable regulations and with the manner in which the deferred tax asset or liability is rationally expected to be recovered or paid.

Deferred tax assets and liabilities originating in transactions with direct charges or credits in equity accounts are also accounted for with a balancing entry in Consolidated Net Equity.

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

3.14 Employee benefits

a) Severance payments

Severance payments are paid to employees as a result of Group management's decision to terminate their employment contracts before the normal retirement age. These benefits are recognised when a demonstrable commitment has been made to dismiss workers in accordance with a detailed regulatory plan of mandatory compliance. Benefits that will not be paid during the twelve months following the Balance Sheet date are discounted to their current value.

3.15 Transactions with payments based on equity instruments

Transactions which, in exchange for receiving goods or services including services provided by employees, are settled by the Parent Company using its treasury stock instruments or with an amount based on the value of its treasury stock instruments (such as share options or share appreciation rights) are considered to constitute payments based on equity instruments.

Recognition

On the one hand, the Group will recognise goods or services received as assets or as expenses depending on their nature at the time of receipt, and on the other, the associated increase in equity if the transaction is settled using equity instruments or the associated liability if the transaction is settled with a sum based on the value of equity instruments.

If the Group can choose between making the payment with equity instruments or in cash, it shall recognise a liability to the extent to which it has incurred a present obligation to settle in cash or with other assets. Otherwise, it will recognise an entry in Net Equity. If it is the goods or services supplier that exercises the option, the Group will recognise a compound financial instrument that will include a liability component due to the other party's right of to demand payment in cash, and a net equity component, due to the holder's right to receive remuneration with treasury stock instruments.

Transactions that require provision of services within a certain period will be recognised as these services are provided throughout said period.

Valuation

Transactions with employees settled using equity instruments will be recognised on the date of the agreement to grant said instruments. Both the services rendered and the increase in equity to be recognised shall be valued at the fair value of the equity instruments so assigned.

Transactions settled with equity instruments the consideration of which consists of goods or services other than those provided by employees will be valued at the fair value of the goods or services on the date they are received provided that said value can be reliably estimated. If the fair value of the goods or services received cannot be reliably estimated, the goods or services received and the increase in equity will be valued at the fair value of the equity instruments assigned on the date on which the Group obtains the goods or the other party provides the services.

Pursuant to the provisions of the preceding paragraphs, no additional restatements will be made to net equity after the vesting date once the goods and services received and the associated increase in net equity have been recognised.

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

Subsequently, the associated liability will be valued at fair value on the closing date of each financial year until settlement and any valuation change that occurs during the financial year will be charged to the Consolidated Income Statement.

The Parent Company's General Meeting held on 21 June 2022 approved the Stock Option Plan for directors, managers, employees and business partners. The aim of this Plan is to achieve and control the Group's corporate objectives, stimulate its expansion and improve its management by focusing on optimising all aspects required to enhance its long-term value, align the interests of employees and shareholders and to ensure that the Group's key employees are retained.

As at 30 June 2024 and of the previous financial year, the plan has not met any of its goals and therefore no provision has been recognised on the Consolidated Balance Sheet at said date.

3.16 Provisions and contingencies

Provisions for responsibilities, restructuring costs and litigation are recognised when they arise from a present legal or implicit obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions for future operating losses are not recognised.

Provisions are valued at the present value of the 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 specific risks of the obligation. Restatements of the provision as a result of updating are recognised as a financial expense as they accrue.

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

When it is expected that part of the disbursement required to settle the provision will be reimbursed by a third party, the reimbursement is recognised as an independent asset, provided collection is practically ensured.

Potential obligations arising as a result of past events the occurrence of which is conditioned by the occurrence or not of one or more future events beyond the Group's control are considered to constitute contingent liabilities.

Said contingent liabilities are not subject to accounting records and details concerning them are set forth in the Explanatory Notes of the Consolidated Financial Statements.

3.17 Recognition of revenue

Operating revenue derived from contracts with customers are posted at the time transfer of control of the goods and services committed to said customers occurs. Control of goods or services refers to the ability to fully decide on the use of the item involved and to substantially obtain all its remaining benefits.

A process consisting of the following stages is implemented to apply this criterion:

- identification of the contract with the customer;
- identification of the contractual obligation to be met;
- determination of the transaction price;
- allocation of the transaction price to the obligations to be fulfilled based on the sale price of each good or service or by estimating the sale price when it cannot be otherwise ascertained;
- recognition of the revenue from ordinary activities at the time the Company fulfils each acquired commitment.

Income from the sale of goods or services is recognised at the fair value of the consideration received or to be received deriving from the same. Discounts for prompt payment, volume or other kinds of discount and interest added to the face value of the loans are posted as a reduction thereof.

Notwithstanding the above, the Group includes interest added to trade credits with maturity at no more than one year that do not have a contractual interest rate when the effect of not updating the cash flows is not significant.

Revenue is recognised when its value can be reliably measured, it is probable that future economic benefits will accrue to the Group and the specific conditions for each activity are met as set forth below. The amount of the income cannot be reliably valued until all contingencies related to the sale have been resolved. The Group bases its estimates on historical results taking the type of customer, the kind of transaction and the specific terms of each agreement into account.

The Group recognises income derived from sale of the right to use and enjoy software (licensing) for biometric facial recognition technology once all the risks and benefits of ownership of the product have been transferred to the purchaser and the conditions set forth in the above paragraph have been met. It is usually charged to the Income Statement at the time the licence is delivered, regardless of the term of the agreement (which may be in perpetuity or for periods defined in the associated contract). Income from services not yet provided is represented in the Balance Sheet as short-term accruals.

Income from maintenance, support services and SaaS (Cloud) is recognised on the basis of accrual of provision of the service.

3.17.1 Contract balances

a) Contract assets

<u>Unconditional right to collect the consideration</u>

Regardless of when transfer of control of the assets occurs, a collection right is recognised (sub-head: Trade accounts, sales and provision of services) under the head of Trade debtors and other accounts payable in current assets or non-current trade debts in non-current assets, as appropriate, due to their maturity in accordance with their normal operating cycle when the Group has an unconditional right to the consideration.

<u>Right to the consideration due to transfer of control</u>

When control of a contract asset is transferred without having an unconditional right to invoice, the Company recognises a right to the consideration due to transfer of control. This right to the consideration due to transfer of control without having an unconditional right to invoice is cancelled when an unconditional right to receive the consideration arises. Notwithstanding, the asset will be tested for impairment at the end of the financial year in the same way as for other unconditional rights.

Like the unconditional rights, these balances are recognised in Trade debtors under the head of Clients. They are classified as current or non-current depending on their maturity The balance as at 30 June 2024 was 10,630,066 euros and 7,799,734 euros respectively (11,045,514 euros and 7,067,893 euros respectively as at 31 December 2023) (Note 7.3).

b) Contract liabilities

<u>Contract liabilities</u>

If the client pays the consideration or the Company has an unconditional right to receive it, the Company recognises a contract liability before transferring the good or service to the client when payment has been made or is due.

These contract liabilities are posted under the head of *Trade creditors and other accounts payable* or provisions are made for trade transactions (in Current liabilities).

3.18 Leases

The contracts are classified as financial leases insofar as it can be ascertained from their conditions that the risks and benefits inherent to ownership of the asset object of the contract are substantially transferred to the lessee. Otherwise, these contracts are classified as operating leases.

When the Group is the lessee – Financial lease

Assets acquired by means of financial leasing are recognised in accordance with their nature at the fair value of the assets or the current value of the agreed minimum payments – including the purchase option – at the beginning of the lease, whichever is lower, and a financial liability is entered for the same amount. Contingent fees, the cost of services and output taxes collected by the lessor are not included in calculation of the agreed minimum payments. Leasing payments are distributed between financial expenses and reduction of liabilities. The total financial burden of the contract is charged to the Consolidated Income Statement for the financial year using the effective interest rate method. The assets are subject to the same amortization, impairment and write-off criteria as other assets of the same nature.

When the Group is the lessee – Financial lease

Leases in which the lessor retains a significant proportion of the risks and benefits derived from ownership of the leased asset are classified as operating leases. Operating lease payments (net of any incentives received from the lessor) are charged to the Consolidated Income Statement for the financial year in which they accrue on a straight-line basis over the lease period.

3.19 Transactions in foreign currency

Transactions in foreign currency are converted to the functional currency using the current exchange rates at the transaction date. Gains and losses in foreign currency resulting from settlement of these transactions and from conversion of the monetary assets and liabilities denominated in foreign currency at the spot rates at the close of the fiscal year are recognised in the Consolidated Income Statement.

3.20 Equity items of an environmental nature

Assets used on a long-term basis in the Group's activities, the main purpose of which is to prevent, reduce or repair the damage that its activities may cause to the environment are considered to constitute assets of an environmental nature. Expenses deriving from environmental activities are recognised as *Other operating expenses* during the financial year in which they are incurred.

The directors consider that as at 30 June 2024 there are no contingencies of an environmental nature that could significantly affect the Group's equity, financial situation or consolidated outcomes and therefore no provisions or contingencies have been recognised under this head.

3.21 Transactions between related parties

The Group performs all its transactions with related parties at market values. The transfer prices are properly substantiated and therefore the Parent Company's Directors consider that there are no significant risks from which substantial liabilities may arise in the future due to these transactions.

This valuation rule affects related parties as defined in Rule 15 on preparation of annual financial statements in the Spanish General Accounting Plan. For these purposes, a party is considered to be related to another when one of them exercises or has the capacity to exercise – directly or indirectly or pursuant to pacts or agreements between shareholders or investors – control over the other or a significant influence over its financial and operating decisions.

The following are deemed to constitute parties related to the Group: natural persons who directly or indirectly hold a stake in the Parent Company’s voting rights or those of its subsidiaries in such a way that enables them to exercise significant influence over one or the other, close relatives of the same, the Group's key personnel including directors and executives together with their close relatives and legal persons over which the aforesaid persons may exercise significant influence.

4. Intangible fixed assets

The following are the breakdown and movement of the items included under the head of *Intangible Fixed Assets*:

	Euros			
	Balance at 31.12.23	**Additions**	**Transfers**	**Balance at 30.06.24**
Cost:				
Development	825,136	2,558,300	12,083,319	15,466,755
Intellectual property	114,462	1,388	---	115,850
Software	17,065,561	28,460	(12,083,319)	5,010,702
Advance payments	---	---	---	---
Total cost	**18,005,159**	**2,588,148**	**---**	**20,593,307**
Accumulated amortisation				
Development	149,294	237,586	5,282,210	5,669,090
Intellectual property	40,843	6,858	---	47,701
Software	5,969,328	2,162,274	(5,282,210)	2,849,392
Total accumulated amortisation	**6,159,465**	**2,406,718**	**---**	**8,566,183**
Net book value	**11,845,693**			**12,027,124**

	Euros				
	Balance at 31.12.22	**Additions**	**Cancellations**	**Transfers**	**Balance at 31.12.23**
Cost:					
Research	56,958	---	56,958	---	---
Development	717,861	4,558,153	---	(4,450,877)	825,136
Intellectual property	84,998	38,112	(8,648)	---	114,462
Software	12,157,820	3,747,712	(3,336,958)	4,496,987	17,065,561
Advance payments	---	---	---	---	---
Total cost	**13,017,637**	**8,343,976**	**(3,402,565)**	**46,110**	**18,005,159**
Accumulated amortisation					
Research	56,958	---	56,958	---	---
Development	378,339	2,161,519	---	(2,390,564)	149,294
Intellectual property	24,980	24,511	(8,648)	---	40,843
Software	4,950,709	1,965,013	(3,336,958)	2,390,564	5,969,328
Total accumulated amortisation	**5,410,987**	**4,151,043**	**(3,402,565)**	**---**	**6,159,465**
Net book value	**7,606,650**				**11,845,693**

Net book value:

	Euros	
Item	**Balance as at 30.06.24**	**Balance as at 31.12.23**
Research	---	---
Development	9,797,665	675,842
Intellectual property	68,149	73,619
Software	2,161,310	11,096,232
Net book value	**12,027,124**	**11,845,693**

The cost value of 12,083,319 euros and accumulated amortisation of 5,282,210 euros which was restated in 2023 was transferred from the Computer Applications account to Development considering that development of the product and internal technology ought to be included in the Development section.

a) Development

The Group continues to implement its investment policy and to improve its current facial biometric applications. The capitalised expenses during the half year ended on 30 June 2024 and the financial year ended 31 December 2023 are associated with the following milestones:

	Euros	
Description:	**30.06.2024**	**31.12.2023**
Improvements to software development kit	2,234,629	3,676,988
Identity Platform	131,914	493,862
Total internal development	**2,366,543**	**4,170,850**
Development acquired from third parties	179,081	387,303
Total	**2,545,624**	**4,558,153**

Said expenses are recognised under the head of Development since there are good reasons to foresee commercial success on completion, at which time they are reclassified under the head of Intangible Assets in accordance with their nature. If there were well-substantiated reasons to consider that the project will not be successful, the Company would write off these expenses and recognise them as losses in Intangible Fixed Assets. Almost all the activity involved in development of new applications or improvements to current ones has been performed internally (except for the sum of 179,081 euros) and recognised by capitalisation of production costs under the head of "Works performed by the Group for its own Assets" in the Consolidated Income Statement.

Developments activated as at 30 June 2024 and 31 December 2023 consisted mainly of anti-fraud security improvements, interactive user guides during registration and tools for integrating technology into multi-platform applications.

b) Intellectual property

FacePhi Biometría S.A. is the holder of the *Selphi* and *FacePhi Beyond Biometrics* trademarks (MUE 015106354 and MUE 015114853 respectively) that are thus protected in both the European Union and in the United States of America pursuant to trademarks registered with the USPTO (United States Patent and Trademark Office) by certificates no. 79190080 and 79190126.

European Union trademark protection is also provided by European trademark certificates with registration numbers MUE 017896710 *Look&Phi*; MUE 017948110 *inPhinite*; MUE 017948113 *4Phingers*; MUE 017948116 *Phivox*; MUE 017948119 *SignPhi* and MUE 017948878 *SelphID*.

The Group currently holds the following registered trademarks:

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

The international expansion and activity in LATAM have prompted the Group's governing body to extend the geographical coverage of trademark protection. Consequently, the *FacePhi Beyond Biometrics* and *SelphID Identity Validation* trademarks are duly registered either as international trademarks with territorial designation or as domestic trademarks in all markets in which the Group carries out commercial activity: APAC, LATAM and EMEA.

The Company still protects the aforesaid registered trademarks in spite of the fact that the Group is currently undergoing a rebranding process.

Pursuant to this rebranding, the following updated trademarks have been registered in the European Union and with the World Intellectual Property Organization (WIPO).

The new registered trademarks are:

MUE 018762534 FACEPHI (mixed)
MUE 018762535 FACEPHI (denominative)
MUE 018779488 FACEPHI IDENTITY PLATFORM (mixed)
4184138 FACEPHI PROTECTING IDENTITY TO BUILD THE FUTURE (Spain - OEPM)

Intellectual property rights

Entry into force of Act 1/2019 of 20 February, the Business Secrets Act, technology companies find themselves in a scenario where legal certainty regarding knowledge considered to constitute business secrets (algorithms, know-how, etc.) is greater than before and consequently provides stronger protection against potential breaches of business secrets.

Nevertheless, the legal doctrine and jurisprudence in the field agree that application of the Act will not be really effective unless the companies are equipped with tools capable of configuring an environment of security, protection, reliability and traceability.

The Group holds the following technical certifications:

- Legal compliance and data protection:

- **Data protection and criminal compliance:** We comply with the following regulations: Facephi's Criminal Risk Prevention Plan (CRP), the General Data Protection Regulation (GDPR), Organic Law on the Protection of Personal Data and Guarantee of Digital Rights (Spanish acronym LOPDGDD) backed by information security certifications.

- Governance, risk and corporate compliance

- **ISO/IEC 27001** (ISMS). A standard for information security management systems (ISMS) to ensure the confidentiality, integrity and availability of the information and the systems that process it.
- **ISO 22301** Business continuity management system.
- **ISO 27017** Security controls for cloud services.

- **ENS** High-level certification by the **Spanish National Security Scheme** (ENS).
- **Pinakes certification** (framework designed to manage and monitor the cybersecurity controls of technology suppliers supporting Spanish financial entities).

Product and technology certification

- **ISO 30107-3 iBeta Level 1**: both Facephi's facial recognition algorithm (matcher) and its PAD algorithm with passive liveness comply with this level of the ISO 30107 standard.
- **ISO 30107-3 iBeta Level 2**: certification at this level represents compliance with the highest standard in of presentation attack detection (PAD) using facial biometric technologies that any company in the sector has achieved to date.
- **KISA K-NBTC certification**: certification that validates the performance of the Company's identity verification algorithm issued by the National Biometric Testing Centre (K-NBTC) of the Korea Internet Security Agency (KISA).
- **UK Digital Identity and Attributes Trust Framework (UK DIATF)**: Facephi is certified as an identity service provider (IDSP) within the UK Digital Identity framework for provision of secure, reliable digital identity services by means of its products and services.
- **SEPBLAC video-identification circulars**: Facephi is a certified supplier of onboarding and remote digital identity services within the compliance framework established by the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences (Sepblac).

- Biometric information interchange:

- **ANSI/NIST-ITL 1-2011**: data format for storage and interchange of biometric information for system interoperability.
- **ISO/IEC 19794-5**: specifies a format for storing, recording, and transmitting information of facial images, scene constraints, photographic properties and digital image attributes of the facial images and provides best practices.

c) Software

The Group, in accordance with the identifiability criteria of intangible assets, transfers the production cost of software improvements and utilities according to their nature (software) developed by Group companies that have entered the marketing phase for generation of income inherent in their activity.
Additions made during the 2023 financial year are mainly licensing contracts purchased from a biometric provider that the Group integrates into the products it distributes and which are amortised on a straight-line basis over the term of the contract in question.

The Group has written off certain I.T. applications that were fully amortise during the 2023 financial year

d) Fully-amortised intangible fixed assets

The Group held the following fully-amortised tangible fixed assets as at 30 June 2024 and 31 December 2023:

	Euros	
	30.06.2024	**31.12.2023**
Development	482,866	-
Intellectual property	10,029	
Software	11,326	11,326
Total cost	**504,221**	**11,326**

e) Sundry information

As set forth in note 8.3, during the 2022 financial year the Parent Company received subsidies related to intangible assets for development expenses, some of which were applied in 2023 and from January to May 2024.

As at 30 June 2024 and 31 December 2023 the Group has no firm intangible fixed asset investment or sale commitments to third parties.

No financial expenses have been capitalised and there are no intangible fixed assets in foreign countries. All intangible fixed assets are subject to operating conditions and they are not affected by encumbrances or liens. Neither has the Company made or reversed value restatements for impairment of any item of its intangible fixed assets.

f) Non-current asset impairment test

The recoverable value of non-current assets has been assessed by considering a single cash-generating unit (CGU) by estimating their value in use by means of cash-flow projections based on the business plan and estimates made by management for the next five years. The discount rate applied to the cash flow projections was 8.7% and the cash flows after the five-year period are extrapolated using a growth rate of 2%. No impairment has been detected in the value of the assets.

Key assumptions for calculating value in use

Calculation of value in use was based on the following hypotheses:

- Growth: based on its forecasts and information from the biometrics sector, the Group expects to maintain its current rate of growth of 20-29% for the period covered by its financial projection period (2024-2028) and 2% per annum after 2028. The Group continues to invest in human resources aimed at sales and marketing activity, developing the business in countries where it already operates and by opening new offices and developing sales channels that will enable it to increase its turnover.

- EBITDA: the group estimates that its EBITDA will grow progressively as it obtains new contracts and optimises its human resource structure.
- Discount rate: as noted above, a WACC of 8.7% has been applied in accordance with that calculated by analysts who follow the Group.
- Capex: the Group estimates that its investments in intangible assets, mainly for development of and improvements to its technology, will continue to grow in line with the growth in turnover and the human resource structure.

Sensitivity to changes in hypotheses

In view of 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 any reasonably predictable or probable variation in any of the hypotheses set forth above (e.g., a 1% increase in WACC and/or 1% decrease in the growth rate) would mean that the book value of the assets would exceed their recoverable value. Nevertheless, the Company reassesses its business plan at the end of each financial year and adapts the hypotheses to reflect the current environment and new expectations.

5. Tangible fixed assets

The following is the breakdown and movement of the items that comprise Tangible Fixed Assets:

Cost:

Item	Cost at 31.12.22	Additions	Cancellations	Transfers	Cost at 31.12.23	Additions	Cancellations	Cost at 30.06.24
Land and buildings	---	372,325	---	1,773,343	2,145,668	40.867-	---	2,186,535
Technical facilities	1,347	---	1,347	---	---	---	---	---
Machinery	698	---	(698)	---	---	---	---	---
Other facilities	32,167	2,364	---	24,176	58,706	---	---	58,706
Furnishings	93,192	11,035	(4,486)	28,903	128,644	---	---	128,644
I.T. equipment	1,019,312	218,021	(325,343)	---	900,955	69,203	---	970,158
Transport vehicles	---	---	---	---	---	---	---	---
Other tangible fixed assets	9,213	---	(4,433)	---	4,780	---	---	4,780
Fixed assets under construction and advances	947,394	925,137	---	(1,872,532)	---	---	---	---
Total cost	**2,103,322**	**1,517,847**	**(336,307)**	**(46,110)**	**3,238,753**	**110,070**	**--**	**3,348,823**

Amortisation:

	Euros							
Item	**Balance as at 31.12.22**	**Provs. Fin. year**	**Cancellations**	**Balance as at 31.12.23**	**Provs. Fin. year**	**Cancellations**	**Transfers**	**Balance as at 30.06.24**
Land and buildings	---	120,637	---	120,637	106,486	---	---	227,123
Machinery	59		(59)	---	---	---	---	---
Other facilities	10,062	6,142	---	16,204	4,256	---	---	20,460
Furnishings	35,494	13,419	(3,781)	45,132	7,423	---	---	52,555
I.T. equipment	238,661	487,470	(322,484)	403,647	144,641	---	---	548,288
Other tangible fixed assets	5,299	2,116	(4,432)	2,983	307	---	---	3,290
Total amortisation	**289.57 4**	**629,784**	**(330,756)**	**588,610**	**263,113**	**---**	**---**	**851,716**

Net book value:

	Euros	
Item	**Balance as at 30.06.24**	**Balance as at 31.12.23**
Land and buildings	1,959,412	2,025,031
Technical facilities	---	---
Machinery	---	---
Other facilities	38,246	42,502
Furnishings	70,422	83,512
I.T. processing equipment	426,213	497,308
Other tangible fixed assets	2,807	1,797
Fixed assets under construction and advances	---	---
Net book value	**2,497,100**	**2,650,151**

Additions for investments in Property, Plant and Equipment during the six months ended on 30 June 2024 and during the 2023 financial year are associated respectively with purchase of equipment for information processing for new employees and with the works – which ended at the beginning of June 2023 – for the new business centre in the city of Alicante that the Company has leased to carry on its business activity.

a) Fully written-off assets

The Group held the following fully-amortised tangible fixed assets that are still in use at a cost of 50,184 euros as at 30 June 2024 (9,661 euros as at 31 December 2023):

	Euros	
Item	**2024**	**2023**
Furnishings	---	---
I.T. equipment	50,184	9,661
Other tangible fixed assets	---	---
Total	**50,184**	**9,961**

b) Insurance

The Group has taken out insurance policies to cover the risks to which its property, plant and equipment are subject. The coverage of these policies is considered sufficient.

c) Sundry information

No financial expenses have been capitalised and there are no encumbrances or liens on the items under this head. Neither has the Group made or reversed value restatements for impairment of any item of its intangible fixed assets.

d) Operating leases

The following is the sum of the minimum future payments for the Group's non-cancellable operating leases:

	Euros			
	Facephi		Rest of Group	
Minimum future payments	**30.06.24**	**31.12.23**	**30.06.24**	**31.12.23**
Up to one year	493,124	237,109	60,532	101,126
Between one and five years	1,322,506	1,538,607	---	14,195
More than five years	1,188,096	1,555,840	---	---
Total	**3,003,726**	**3,331,556**	**60,532**	**115,321**

The following are the lease payments recognised as expenses for the period in the Consolidated Income Statement and the most significant features of the contracts in force:

Description of the lease	Expenses until 30.06.2024	Expense 2023 fin. year	Due date	Renewal	Price update criteria
Offices, garages and storage	142,506	171,310	06/05/2025	N/A	YES (CPI)
Madrid Office	59,813	118,896	30/06/2023	N/A	NO
Branch offices	62,519	80,882	30/09/2023	N/A	NO
I.T. hardware	614	1,773	21/05/2024	N/A	NO
I.T. software	---	1,009	18/12/2023	N/A	NO
Furnishings	19,542	16,777	03/01/2022	N/A	NO
Transport vehicles	36,614	70,584	08/01/2023	N/A	NO
Sundry rentals	45,275	792,557	N/A	N/A	N/A
Total	**366,883**	**1,253,788**			

During the 2017 financial year the Parent Company entered into two operating leases of vehicles initially for the use of members of the Board of Directors. The monthly payment amounted to 1,256 euros per vehicle with maturity at 3 January 2022. These contracts were classified as operational leases in view of the fact that exercising the purchase option at maturity was not was not considered at the time of initial recognition. On 8 January 2020 the Parent Company entered into two more operating leases of vehicles for the use of members of the Board of Directors. The monthly payment amounted to 2,223 euros per vehicle with maturity at three years. These contracts matured in January of the current financial year have been replaced by two new vehicle leasing contracts initially for use by members of the Board of Directors. These contracts will mature in January 2026. The monthly payments amount to 2,726.04 and 2,168.19 euros respectively.

In order to extend the head office and the corporate headquarters, the Parent Company entered into a new lease agreement in May 2020 for a period of five years and a monthly rent of 2,493 euros. This contract can be terminated with two months' prior notice after the first three years have elapsed and three months' rent as compensation for withdrawal. The Company has placed a rental bond of 4,986 euros. This rental bond has been reimbursed as at the drafting date of these financial statements.

Moreover, due to the fact that the Parent Company is taking measures to modernise its work model, on 4 March 2022 it entered into a new lease contract in a business centre in the city of Alicante for a period of 10 years counting from the end of the conditioning works or from 31 December 2022, whichever occurs first, including a 3-year mandatory permanence period. The lessor grants a 12-month grace period counting from the end of the conditioning works or from 31 December 2022. The Company has placed a rental bond of 34,000 euros, the equivalent of two monthly rent payments. The works finished in June 2023.

During the 2024 financial year the Company reclassified the expenses included under Rentals and Fees in 2023 of all the subscriptions to computer programs that, in view of their nature, are now recognised under the head of Other Services. This is the reason why the figure for Total Rentals has decreased without entailing a reduction in the amounts effectively paid.

a) *Financial leasing*

During the 2022 financial year the Group acquired an I.T. server by entering into a financial leasing contract for a total amount of 275.000 euros. In connection with the aforesaid financing contract, in order to comply with the conditions of substantial transfer of the risks and benefits inherent in ownership of the asset, the asset was entered under the head of "I.T. Equipment" in the Tangible Fixed Assets account in accordance with the recognition and valuation rule set forth in Note 3.4.

The following is a breakdown of the most important conditions of the financial loan contract in effect during the financial year and its position as at 30 June 2024 and 31 December 2023:

			Euros					
Object of the contract	**Start**	**Term (months)**	**Cost Asset**	**Instalments paid as at 30.06.24**	**Amount pending de payment al 30.06.24**			**Purchase option**
					Capital		**Interest pending payment**	
					S/T	**L/T**		
I.T. processing equip.	15/11/2022	36	275,000	146,464	94,360	36,204	16,829	---
		Total	**275,000**	**146,464**	**94,360**	**36,204**	**16,829**	**---**

			Euros					
Object of the contract	**Start**	**Term (months)**	**Cost Asset**	**Instalments paid as at 31.12.23**	**Amount pending payment as at 31.12.23**			**Purchase option**
					Capital		**Interest pending payment**	
					S/T	**L/T**		
I.T. processing equip.	15/11/2022	36	275,000	100,833	92,287	83,908	20,328	---
		Total	**275,000**	**100,833**	**92,287**	**83,908**	**20,328**	**---**

During the half year ended 30 June 2024, the Company paid the sums of 45,631 euros and 3,500 euros in principal and interest respectively under said contract (88,277 euros and 9,985 euros respectively in the 2023 financial year).

The financial lease transaction in effect as at 30 June 2024 and during the previous financial year accrued interest at an average rate of 4.54%.

Accordingly, the following is the breakdown of the book value of the asset acquired under the financial lease contract as at 30 June 2024 and 31 December 2023:

	Euros		
	30.06.24		
Item	Cost	Accumulated amortisation	Net book value
I.T. processing equip.	275,000	148,958	126,042
Total	**275,000**	**148,958**	**126,042**

	Euros		
	31.12.23		
Item	Cost	Accumulated amortisation	Net book value
I.T. processing equip.	275,000	103,125	171,875
Total	**275,000**	**103,125**	**171,875**

6. Information on the nature and risk level of financial instruments

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

Credit risk

Credit risk arises from potential losses caused by infringement of contractual obligations by the Group's counterparties, i.e., by failure to collect financial assets in compliance with the established amounts and timeframes. To minimise this risk, the Group only works with credit institutions of recognised solvency and reputation.

Due to their excellent credit standing, the Group's main debtors do not pose specific credit risks of cancellation of the balances pending collection at the end of the financial year. The following is the breakdown by seniority of the trade debtors and other accounts receivable as at 30 June 2024 and 31 December 2023:

	Euros	
	30.06.24	**31.12.23**
Long-term debts not due	7,799,734	7,067,893
Short-term debts not due	14,451,303	11,635,695
Past due but not doubtful	1,241,734	1,927,702
Doubtful	3,066,770	2,769,079
Total	**26,559,541**	**23,400,369**
Restatements due to impairment (note 8.3)	(3,066,770)	(2,769,079)
Total	**23,492,771**	**20,631,290**

Liquidity risk

Prudent management of liquidity risk entails maintaining sufficient cash and highly-liquid securities, the availability of financing through a sufficient number of committed credit facilities and the ability to liquidate market positions. Management considers the liquidity risk to be sufficiently mitigated by the series of factors mentioned in Note 2.e.

Market-related financial risks

a. Interest-rate risk
The interest-rate risk arises from long-term borrowings. Debt instruments issued at variable rates expose the Group to the cash flow interest rate risk. Debt instruments at fixed interest rates expose the Company to fair-value interest-rate risk.

b. Exchange rate risk

The Company operates internationally and is therefore exposed to exchange rate risks due to its foreign currency transactions. The exchange rate risk arises from recognised assets and liabilities. The breakdown of financial assets and liabilities and transactions denominated in foreign currency is reported in Note 9.

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. The Group does not currently use hedging derivatives to cover its exposure to other currencies.

c. Interest rate risk on cash flows

Income and cash flows from operating activities are for the most part independent of changes in market interest rates.
There are no significant interest rate risks on cash flows.

d. Price risks

There are no significant price risks.

Estimation of fair value

The Group assumes that the book value of credits and debits for trade transactions is close to their fair value. The fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

7. Financial assets

7.1 Analysis by categories

The following is the book value of the categories of financial instruments established in the registration and valuation rules of the Spanish General Accounting Plan (PGC) in accordance with the information contained in Note 3.7 except for cash and cash equivalents (see section 7.4):

	Euros			
	Loans, derivatives and others			
	Short-term		Long-term	
	30.06.24	**31.12.23**	**30.06.24**	**31.12.23**
Assets at amortised cost				
• Trade debtors and other accounts receivable (*)	15,693,037	13,563,397	7,799,734	7,067,893
• Loans to personnel	2,626	2,050	1,700	1,700
• Other financial assets	187,604	167,211	139,818	139,216
Total	**15,883,267**	**13,732,658**	**7,941,252**	**7,208,809**

(*) Does not include balances with government agencies.

There are no significant differences between the book value and the fair value of financial assets recognised at cost or amortised cost.

7.2 Analysis by maturity

The following are the amounts of financial assets with a determined or determinable maturity classified by year of maturity:

As at 30 June 2024:

	Financial Assets					
	30.06.25	**30.06.2026**	**30.06.2027**	**30.06.2028**	**Subsequent years**	**Total**
Financial asset						
• Debtors and other accounts receivable (*)	15,693,037	5,066,225	1,841,693	643,812	248,004	23,492,771
• Other financial assets	187,604	---	141,518	---	---	329,122
Total	15,880,641	5,006,225	1,983,211	643,812	248,004	23,821,893

(*) Does not include balances with government agencies.

As at 31 December 2023:

	Financial Assets					
	2024	2025	2026	2027	Subsequent years	Total
Financial asset						
• Debtors and other accounts receivable (*)	13,563,397	4,356,334	1,814,362	646,166	251,031	20,631,290
• Other financial assets	169,261	79,315	---	---	61,601	295,296
Total	**13,732,658**	**4,435,649**	**1,814,362**	**646,166**	**312,632**	**20,941,467**

(*) Does not include balances with government agencies.

7.3 Debtors and other accounts receivable

	Euros	
	06/2024	2023
Loans and accounts receivable a length deadline		
• Loans to personnel	1,700	1,700
• Other financial assets	139,818	139,216
• Trade debtors, invoices pending issuance	7,799,734	7,067,893
Total	**7,941,252**	**7,208,809**

	Euros	
	06/2024	2023
Short-term debts and accounts receivable:		
• Loans to personnel	2,626	2,050
• Other financial assets	187,604	167,211
Total	**190,230**	**169,261**
• Trade debtors and other accounts receivable a c/p		
➢ Trade receivables for provision of services	5,062,970	2,517,883
➢ Trade invoices pending issuance	10,630,066	11,045,514
➢ Doubtful trade receivables	3,066,770	2,769,079
➢ Impairment of trade credits	(3,066,770)	(2,769,079)
➢ Sundry debtors	1,265	---
➢ Personnel	2,626	---
➢ Current tax assets (note 13.1)	---	(733)
➢ Other credits with govt. agencies (Note 13.1)	1,848,632	1,872,765
Total	**17,545,559**	**15,435,428**

Loans to personnel

On 11 November 2020 the Group entered into a loan contract with one of its employees for the sum of 6,500 euros with maturity at a maximum of 33 months, reimbursable in monthly instalments of 200 euros. Therefore, the sums of 2,400 euros and 4,100 euros were recognised in the short and long-term respectively. On 30 June 2024 the amount pending collection stood at 3,850 euros, of which 2,626 euros are due in the short term and 1,700 in the long term.

Impairment of trade credits

The following is the breakdown of losses for value impairment of trade receivables:

	Euros	
	30.06.24	31.12.23
Initial balance	**2,769,079**	**1,897,511**
Provision for impairment of accounts receivable	297,691	1,004,393
Reversal of unused amounts	---	(132,825)
Final balance	**3,066,770**	**2,769,079**

The Group's collection conditions allow its customers up to one year to pay for goods and services. This is normal business practice in the sector in which it operates and particularly in technology assignment and licensing agreements. The Group recognises the consideration at amortised cost under the head of *non-current trade debts* in Assets on the Balance Sheet in cases where the invoicing period is longer than one year.

Group management considers that the credit risk is sufficiently guaranteed in view of the solvency of the debtors with whom it works (mainly financial institutions).

Other short and long-term financial assets

As at 30 June 2024 the *Other long-term financial assets* account includes the rental bonds for the Group's offices for the sum of 65,489 euros (94,342 euros as at 31 December 2023) and 74,329 euros (same amount as at 31 December 2023) as a final good-faith bond for the public tender awarded by AENA in financial 2021 for supply and upgrading of a facial biometrics system.

These bonds have not been valued at amortised cost due to the negligible effect they would have on the Company's Net Equity.

Moreover, on 30 June 2024 the Other Short-term Financial Assets account includes the sum of 31,344 euros (same amount as at 31 December 2022) for a fixed-term deposit with a par value of $US 35,500 with maturity at 8 July 2023 as a guarantee placed with a customer for provision of licencing, support and consultancy.

This short-term item also includes the sum of 1,265 euros placed on 10 May 2022 as a contribution to the UTE DH Healthcare Provider Software Spain, S.L.U. – Facephi Biometrics, S.A. as explained in note 1.e).

7.4 Cash and Cash Equivalents

The following is the breakdown of the Cash and Cash Equivalents account on the attached Consolidated Balance Sheet:

	Euros	
	30.06.24	**31.12.23**
Cash, euros	1,324	1,324
Cash, foreign currency	714	714
Banks and credit inst. demand c/c, euros	436,656	1,201,446
Banks and credit inst. demand c/c, f.c. (note 11.f)	191,044	1,529,783
Total	**629,738**	**2,733,267**

The treasury item under the head of *Banks and financial institutions* includes an entry of 262,851 euros (298,677 euros at 31 December 2023) for financial deposits in the securities trading and settlement entities Euronext and BME Growth, the funds of which are not freely available to the Group unless the liquidity provider estimates that the cash or shares at its disposal are excessive.

With the exception mentioned above, as at the close of the period under review these are no restrictions on the availability of the funds in demand bank accounts.

As a result of the financial restructuring agreement entered into on 14 December 2020, the Parent Company had established a pledge right over the current accounts and other available liquid assets for the sum of 197,684 euros (2,279,907 euros as at 31 December 2023) (see Note 9.3.a).

8 Net equity

8.1 Capital and reserves

The attached Consolidated Statement of Changes in Net Equity shows the breakdown and movement of the Company's Capital and Reserves during the financial periods ended on 30 June 2024 and 31 December 2023.

a) Share capital and issue premium

The following is the composition of the Parent Company's share capital and issue premium as at 30 June 2024 and at the end of the previous financial year:

	Euros			
	30.6.24		2023	
	Capital	Issue premium	Capital	Issue premium
Authorised	903,574	26,679,312	851,585	24,231,301
Total	**903,574**	**26,679,312**	**851,585**	**24,231,301**

The following is a breakdown of movements of authorised share capital and issue premiums recognised as at 30 June 2024 and 31 December 2023:

<u>2024</u>

	Number of shares	Par value	Share capital	Issue premium
Opening balance as at 1 January 2024	**21,289,623**	**0.04**	**851,585**	**24,231,301**
Capital increase 11.01.2024	264,368	0.04	10,575	532,904
Capital increase 29.2.2024	334,057	0.04	13,362	638,812
Capital increase 27.05.2024	701,303	0.04	28,052	1,276,296
Final balance as at 30 June 2024	**22,589,351**	**0.04**	**903,574**	**26,679,312**

<u>2023</u>

	Number of shares	Par value	Share capital	Issue premium
Opening balance as at 1 January 2023	**17,432,768**	**0.04**	**697,311**	**15,560,800**
Capital increase 19.01.2023	196,448	0.04	7,858	567,735
Capital increase 26.01.2023	394,104	0.04	15,764	1,276,896
Capital increase 02.08.2023	1,214,855	0.04	48,594	2,994,884
Capital increase 17.10.2023	1,293,889	0.04	51,756	2,339,549
Capital increase 17.10.2023	470,506	0.04	18,820	850,745
Capital increase 16.11.2023	287,053	0.04	11,482	640,692
Balance as at 31 December 2023	**21,289,623**	**0.04**	**851,585**	**24,231,301**

Financing contract – Convertible warrants

On 14 December 2020 the Parent Company entered into a new financing agreement with similar conditions and features as the previous one with Nice & Green S.A: (signed in September 2019), for which reason the Extraordinary General Meeting held on 25 January 2021 agreed, in compliance with article 297.1.b of the Corporate Enterprises Act (LSC), to delegate the power to issue convertible equity warrants (EW) in Parent Company shares for a maximum conversion sum of 20 million euros to the Board of Directors and to increase the share capital by the amount required to address conversion of said warrants. In accordance with art 417 of the LSC, the pre-emptive subscription rights were disabled for this transaction since the only recipient of the issue was Nice & Green S.A. Said delegated power was limited by the condition that the total amount of the increases in share capital agreed on one or more occasions may not exceed the equivalent of half the share capital at the time, i.e., 288,570.38 euros, under any circumstances.

The price of conversion into shares considered in the financing agreement may not be lower than 130% of the par value of the Parent Company's shares (i.e., at a lower price per equity warrant than 0.052 euros) or higher than the conversion price resulting from 92% of the lowest weighted average price during the three trading days prior to the date on which the conversion right is exercised. The investment commitment ended on 31 December 2022 and the last conversion to increase capital in January 2023.

The sum of 1,500,000 euros was still pending conversion at the beginning of 2023. On 10 and 23 January 2023 Nice & Green requested conversion into shares of the amount pending execution under the following conditions:

Notification date	Amount	Conversion of EW	Exercise price	Par value	Issue premium	Capital	Issue premium
10/01/2023	500,000	196,448	2.5452	0.04	2.5052	7,858	492,141
23/01/2023	1,000,000	394,104	2.5374	0.04	2.4974	15,764	984,235
Totals	**1,500,000**	**590,552**				**23,622**	**1,476,376**

With respect to the aforesaid notifications, the associated capital conversion and increase agreement was formalised on 16 and 23 January 2023 pursuant to instruments executed before the notary public of Castilla-La Mancha Iván Castejón Fernández-Trujillo under numbers 62 and 95 of his journal record and registered in the Companies Registry of Alicante on 13 and 24 February 2023 respectively.

Impact of the conversion on the Consolidated Income Statement

Since the fixed-for-fixed swap rule was not met in accordance with the valuation criteria and standards set forth in note 3.8.b according to the EW issuance conditions, a financial derivative is created during the life of the warrant issue until the time it is converted into shares.

After conversion of the pending amount of 1,500,000 euros with the aforesaid two capital increases in January 2023, the actual loss at the time of these two conversions amounted to 368,255 euros as increased value of the share premium. A loss was there for recognised under head 17, *Variation in the Fair Value of Financial Instruments* in the Consolidated Income Statement.

Variations in the fair value of the derivative during its life (that is, from the signature date to exercise of the option) are recognised under head *17. Variation in the Fair Value of Financial Instruments* in the Consolidated Income Statement as a financial cost and reflected in the reciprocal entry in Consolidated Net Equity as increased value of the issue premium. The increase in the premium in 2023 amounted to 368,255 euros, the equivalent of the treasury inflow received for the conversion minus the fair value accumulated by the derivative to said date.

The following is the breakdown of the above movements

As at 31 December 2023

	Number of shares	Conversion price	Fair value	Issue premium/cost
Capital increase 19.01.2023	196,448	2.5452	2.93	75,593
Capital increase 26.01.2023	394,104	2.5374	3.28	292,662
				368,255
Derived value recognised in the previous financial year at 12/12/2022				(99,093)
Total recognised under head *17. Variations in the Fair Value of Financial Instruments* in the Income Statement for the financial year (loss).				269,162

Financing contract – Convertible bonds

On 27 April 2023 the Parent Company entered into a third financing agreement with similar conditions and features as the previous one with Nice & Green. The financing instruments, however, were different, taking the form of issuance of convertible bonds on this occasion. The Parent Company's Extraordinary General Meeting held on 20 June 2023 agreed, in compliance with article 297.1.b of the Corporate Enterprises Act (LSC) to delegate the power to issue convertible equity warrants (EW) in Parent Company shares for a maximum conversion sum of 20 million euros to the Board of Directors and to increase the share capital by the amount required to address conversion of said warrants. In accordance with art 417 of the LSC, the pre-emptive subscription rights were disabled for this transaction since the only recipient of the issue was Nice & Green S.A. Said delegated power was limited by the condition that the total amount of the increases in share capital agreed on one or more occasions may not exceed the equivalent of half of the share capital at the time, i.e., 360,466.40 euros, under any circumstances.

The number of new shares to be issued on conversion of each convertible bond shall be determined by application of the following formula:

N = Vn /P
Where:

"N" represents the number of new shares to be issued
"Vn" is the call price of the convertible bonds.
"P": is (i) the issue price rounded to 4 decimal places; or (ii) the nominal share price, whichever is the higher.

The "issue price" shall be calculated as follows:

Issue price = Reference VWAP * 92%
"Reference VWAP" means (i) the VWAP published on the trading day preceding the conversion date or (ii) the VWAP of the last three (3) trading days immediately preceding a conversion date, whichever is the lower. For the purposes of calculating the reference VWAP, the VWAP of trading days on which the bond-holder has sold more than 15% of the daily trading volume of the shares shall not be taken into account.

Issuances and conversions under the convertible bond contract

The Parent Company requested the first issuance for conversion of convertible bonds on 21 July 2023 for the sum of 5,000,000 euros (500 bonds with a par value of 10,000 euros each). The transaction was notarised on 24 July 2023.

On 27 July 2023 and 5 October 2023, Nice & Green notified conversion of 2,800,000 euros (280 bonds at 10,000 euros par value each) and 2,200,000 euros (220 bonds of 10,000 euros par value each) respectively in accordance with the following conditions:

Notification date	Amount	Conversion (shares)	Exercise price	Par value	Issue premium	Capital	Issue premium
27/07/2023	2,800,000	1,214,655	2.2648	0.04	2.3048	48,594	2,751,404
5/10/2023	2,200,000	1,214,855	1.7003	0.04	1.6603	51,756	2,148,244

The first of the aforesaid conversions was notarised on 2 August 2023 and registered in the Companies Registry on 12 September 2023. The second conversion was notarised on 17 October 2023 and registered in the Companies Registry on 6 November 2023.

The Parent Company requested the second issuance for conversion of convertible bonds on 6 October 2023 for the sum of 1,900,000 euros (190 bonds with a par value of 10,000 euros each). The transaction was notarised on 24 July 2023.

On 6 October 2023 and 8 November 2023, Nice & Green notified conversion of 800.000 euros (80 bonds at 10,000 euros par value each) and 600.000 euros (60 bonds of 10,000 euros par value each) respectively in accordance with the following conditions:

Notification date	Amount	Conversion (shares)	Exercise price	Par value	Issue premium	Capital	Issue premium
6/10/2023	800,000	470,506	1.7003	0.04	1.6603	18,820	781,181
8/11/2023	600,000	287,053	2.0902	0.04	2.0502	11,482	588,516

The first of the aforesaid conversions was notarised on 17 October 2023 and registered in the Companies Registry on 11 November 2023. The second conversion was notarised on 16 November 2023 and registered in the Companies Registry on 20 December 2023.

The differences between the par value of the amounts converted into shares and the value of said debt at amortised cost gave rise to a financial expense under head *15. Financial Expenses in the Consolidated Income Statement* for the sum of 556,525 euros (recognised in the second half of the 2023 financial year), this causing an increase in the premium of the same amount.

As at 31 December 2023, 500,000 euros of the aforesaid 1,900,000-euro issue. On 3 January 2024, Nice & Green notified conversion of said 500,000 euros (50 bonds at 10,000 euros par value each) in accordance with the following conditions:

Notification date	Amount	Conversion (shares)	Exercise price	Par value	Issue premium	Capital	Issue premium
3/01/2024	500,000	264,368	1.8913	0.04	1.8513	10,575	489,424

The first of the aforesaid conversions was notarised on 17 October 2023 and registered in the Companies Registry on 11 November 2023. The second conversion was notarised on 5 November 2023 and registered in the Companies Registry on 20 December 2023.

The differences between the par value of the amounts converted into shares and the value of said debt at amortised cost gave rise to a financial expense under head *15. Financial Expenses* in the Consolidated Income Statement for the sum of 43,479 euros, resulting in an increase in the premium by the same amount.

<u>Amendment of the financing – convertible bonds contract</u>

The aforesaid financing by convertible bonds contract entered into on 27 April 2023 with Nice & Green, S.A. was for a maximum amount of 20 million euros. This agreement was contractually amended in a new addendum on 17 January 2024 with the following features:

- the maximum amount the investor may invest is reduced from the initially agreed 20 million euros to 11.1 million euros, and the amount that was pending investment at the signature date of the addendum was 4.2 million euros (420 bonds);

- with respect to this amount, it has been agreed that FacePhi would issue up to seven tranches of 60 convertible bonds (600,000 euros) at intervals of one month;

- the parties shall agree to extend the maturity of the loan contract between the Parent Company and Nice & Green, S.A. for the sum of € 700,000 due on 31 December 2023 (note 9.3.b), setting a repayment schedule of € 100,000 per month over the same period as issuance of the seven tranches set forth in the previous paragraph.

The Parent Company requested the first issuance for conversion of convertible bonds on 22 January 2024 for the sum of 600.000 euros (60 bonds with a par value of 10,000 euros each). The transaction was notarised on 19 February 2024.

On 23 February 2024, Nice & Green notified conversion of said 600,000 euros (60 bonds at 10,000 euros par value each) in accordance with the following conditions:

Notification date	Amount	Conversion (shares)	Exercise price	Par value	Issue premium	Capital	Issue premium
23/02/2024	600,000	334,057	1.7961	0.04	1.7561	13,362	586,637

The second conversion was notarised on 29 February 2024 and registered in the Companies Registry on 5 March 2024.

The Parent Company requested the first issuance for conversion of convertible bonds on 20 February 2024 for the sum of 600.000 euros (60 bonds with a par value of 10,000 euros each). The transaction was notarised on 28 March 2024.

The Parent Company requested the first issuance for conversion of convertible bonds on 18 March 2024 for the sum of 600.000 euros (60 bonds with a par value of 10,000 euros each). The transaction was notarised on 16 April 2024.

On 15 May 2024, Nice & Green notified conversion of said 600,000 euros (120 bonds at 10,000 euros par value each) in accordance with the following conditions:

Notification date	Amount	Conversion (shares)	Exercise price	Par value	Issue premium	Capital	Issue premium
15/05/2024	1,200,000	701,303	1.7111	0.04	1.6711	28,052	1,171,947

The first of the aforesaid conversions was notarised on 27 May 2024 and registered in the Companies Registry on 12 June 2024.

The differences between the par value of the amounts converted into shares and the value of said debt at amortised cost gave rise to a financial expense under head *15. Financial Expenses in the Consolidated Income Statement* for the sum of 156,522 euros, resulting in an increase in the premium by the same amount.

The Parent Company requested the first issuance for conversion of convertible bonds on 19 April 2024 for the sum of 600.000 euros (60 bonds with a par value of 10,000 euros each). The transaction was notarised on 2 May 2024. As at 30 June 2024, said issue is pending conversion and has been entered to Current Liabilities on the Consolidated Balance Sheet (note 9.3.b).

a.2) Share capital and issue premium notarised in previous financial years

The conditions of the share capital issues executed and notarised in previous financial years and implemented pursuant to the financing framework agreement entered into with Nice & Green S.A. were reported in detail in the reports to the Parent Company's Individual Annual Financial Statements for the respective financial years. Section a.1) above also contains a breakdown of the impact on equity of the share issues and capital increases in the first six months of 2024 and in the 2023 financial year.

a.3) Significant holdings

Pursuant to the provisions of Regulation (EU) 596/2014 on market abuse, Article 227 of Act 6/2023 of 17 March on Securities Markets and Investment Services and related provisions and Circular 3/2020 of the BME Growth segment of BME MTF Equity, on 30 June 2024 and 31 December 2023, you are hereby informed of the shareholders who directly or indirectly control five percent (5%) or more of the Parent Company's share capital:

	%	%
	06/2024	**12.2023**
Banque Cantonale Vaudoise (Nice & Green)	17.02	18.67
Javier Mira Miró (*)	3.47	2.07
Juan Alfonso Ortiz Company (**)	3.17	0.51

(*) 5.61% taking into account the 141,470, 35,196, 33,000 and 235,001 shares loaned in guaranty to Nice & Green.

(**) 5.35% taking into account the 150,586, 26,080, 43,666 and 235,001 shares loaned in guaranty to Nice & Green.

All shares issued are fully paid up. Except for those deposited with Nice & Green in guaranty, there are no restrictions on their free transferability.

b) **Treasury stock**

The total amount of the Parent Company's treasury stock held as at 30 June 2024 is 360,306 euros (393,977 euros at 31 December 2023) represented by 172,968 shares (158,449 shares at the end of the previous financial year), the equivalent of 0.79% (0.75% as at 31 December 2023) of the Parent Company's share capital. This is well below the maximum limit of 10% provided for in article 509 of the Corporate Enterprises Act.

On 27 February 2020 the General Meeting approved a motion to authorise the Board of Directors to acquire treasury stock in the following terms:

- For a maximum of five (5) years from adoption of the agreement.
- Up to a maximum of 10% of the share capital.
- When the shares are acquired for a consideration, the price may vary by +/- 10% of the market value on the acquisition date.

The following are the treasury share movements during the half year ended on 30 June 2024 and the financial year ended 31 December 2023:

	31.12.23	Purchases	Sales	30.06.2024
Cost of treasury shares	393,977	206,908	240,578	360,306

The following are the share movements during the 2023 financial year:

	31.12.22	Purchases	Sales	31.12.023
Cost of treasury shares	454,079	450,744	51,846	393,977

The Parent Company sold treasury shares during the six-month period ended in June 2024 for a loss of 56,496 euros (a loss of 50,206 euros in 2023) recognised against *Voluntary Reserves.*

c) Parent Company's Reserves

The following is a breakdown of reserves in the periods under study:

	Euros	
	30.06.24	**2023**
Legal reserve	139,462	139,462
Voluntary reserves	527,410	742,984
Ecertic merger reserves	(592,985)	(592,985)
Total	**73,887**	**289,461**

The Parent Company also made losses amounting to 2,237,198 euros in previous financial years.

Legal reserve

In accordance with the provisions of article 274 of the Corporate Enterprises Act, companies that obtain liquid profits net of taxes during the financial year shall be obliged to allocate 10% of said profit to a reserve fund that shall reach an amount equal to at least one fifth of the share capital. This reserve may only be used to cover a debit balance on the Income Statement (if any) and must be replenished when it falls below the stipulated level.

Voluntary reserves

Voluntary reserves, as at 30 June 2024 and 31 December 2023 include profits from previous years that were neither distributed nor assigned to mandatory reserves.

These reserves are freely available.

As set forth in the attached Consolidated Statement of Changes in Net Equity, during the six-month period ended on 30 June 2024 the sum of 27,300 euros (61,200 euros in the previous financial year) net of taxes has been recognised against these reserves for the cost of issuance and expenses incurred as a result of the capital increases carried out during said period. A loss of 56,496 euros (50,206 euros during the 2023 financial year) was also recognised for the losses suffered in the aforesaid treasury stock sale-purchase transactions (see Note 8.1.b).

Restrictions on allocation of dividends

Once the legal provisions and those of the articles of association have been met, only dividends charged to profit for the financial year and voluntary reserves may be allocated:

- If the value of Net Equity is not less than that of shareholder's equity or will not become so as a result of the allocation. Consequently, profits assigned directly to Net Equity may not be directly or indirectly allocated. In the event that losses from previous financial years cause the value of the Parent Company's Net Equity of to fall below that of shareholders' equity, the profits shall be assigned to compensation for said losses.

- If the Parent Company's assets include intangible assets derived from capitalisation of R&D and/or goodwill. In this case, profits may only be allocated if the amount of voluntary reserves is at least equal to the net value of the non-amortised intangible assets.

d) Reserves in consolidated companies

In accordance with the criteria set forth in note 3.1, this entry in Capital and Reserves on the Consolidated Balance Sheet represents undistributed profits generated by the subsidiaries from the date of their incorporation into the Group. The following is a breakdown of this item as at 30 June 2024 and 31 December 2023:

	Euros	
	06/24	**2023**
By full consolidation:		
FacePhi APAC	(196,221)	(212,630)
Celmuy (*)	154,537	43,450
Facephi Beyond UK – Subsidiary	(3,018,934)	(909,089)
Total	**(3,060,618)**	**(1,078,269)**

e) Contribution to consolidated outcome

The following table shows the contribution of each company in the consolidation perimeter to the consolidated outcome:

	Profit (Loss)	
Subsidiary	**June 2024**	**June 2023**
Facephi – Parent Company	(5,751,378)	(3,517,508)
Facephi APAC – Subsidiary	310,558	(29,338)
Celmuy – Subsidiary	77,514	42,475
Facephi Beyond UK – Subsidiary	(924,592)	(1,190,687)
Consolidation restatements		
Total	**(6,287,898)**	**(4,695,056)**

8.2 Restatements for value changes-conversion differences

In compliance with the conversion criteria for annual financial statements of foreign companies that use a functional currency other than the euro set forth in note 3.1, the Group has recognised a negative conversion difference in Net Equity on the Consolidated Balance Sheet as at 30 June 2024 amounting to 39,656 euros net of the associated tax effect (-181,379 euros in the 2023 financial year). Said amount represents the difference between the amount of the subsidiaries' net equity converted at the historical exchange rate and the net equity position deriving from the conversion of assets, rights and debentures at the closing exchange rate of all local currencies in which Group company operates.

8.3. Subsidies

The following are the amounts and features of the subsidies that appear on the Consolidated Balance Sheet as at 30 June 2024 and 31 December 2023 under the head of *Subsidies, donations and bequests* and movements during this and the previous financial year:

As at 30 June 2024:

Granting body	Year granted	Amount granted	Balance as at 31.12.23	Additions in the financial year	Transferred to Profit (Loss) 30.06.24	Tax effect	Restatements (note 2.g)	Balance as at 30.06.24
CDTI	2018	180,390	6,799	---	(9,065)	2,266	---	---
IMIDCA	2021	110,884	58,214	---	(11,088)	2,772	---	49,898
IMINOD	2021	25,154	11,319	---	(2,515)	629	---	9,433
Red.es	2022	1,270,090	553,510	76,289	(101,720)	25,420	126,825	680,334
		1,586,518	**629,843**	**76,289**	**(124,388)**	**31,097**		**739,665**

Financial year ended 31 December 2023

Granting body	Year granted	Amount granted	Balance as at 31.12.22	Additions in the financial year	Transferred to Profit (Loss) 31.12.23	Tax effect	Balance as at 31.12.23
Europe (H2020)	2016	1,692,600	15,699	---	(20,932)	5,233	---
CDTI	2018	180,390	34,141	---	(36,456)	9,114	6,799
IMIDCA	2021	110,884	74,847	---	(22,177)	5,544	58,214
IMINOD	2021	25,154	15,092	---	(5,031)	1,258	11,319
Red.es	2022	1,270,090	37,843	878,367	(191,810)	(170,889)	553,510
		3,279,118	**177,622**	**878,367**	**(276,406)**	**(149,740)**	**629,843**

With a budget of nearly 80,000 million euros for the 2014 to 2020 period, H2020 is the largest European funding program for research and innovation projects. The SME Instrument program was specifically designed to foster highly-innovative SMEs with a strong appetite for growth and international projection in order to drive their success in the market.

The Parent Company entered into an agreement with the European Commission at the end of the 2016 financial year to obtain aid over a period of two years to finance investment in its development of a facial identification project known as Facial Recognition in Bank Security (FACCES).

This agreement contained a clause whereby the subsidy would be awarded for a maximum of 1,692,600 euros, the equivalent of 70% of the development budget of 2,418,000 euros.

The costs incurred associated with the eligible project corresponded, on the one hand, to personnel costs that were capitalised in Intangible Assets and, on the other, to operating costs. Therefore, the subsidy has both a capital component and an operations component that were distributed between the two in proportions of 19.81% and 80.19% respectively in accordance with the costs incurred by the Parent Company in previous years.

Furthermore, in the 2020 financial year, due to acquisition of the subsidiary Ecertic Digital Solutions, S.L.U., the Group recognised the net sum of 116,168 euros for a subsidy granted during the 2018 financial year for a gross total of 180,390 euros to finance the project to develop a digital identity accreditation platform using biometric technology.

The Group received the following subsidies in the 2021 financial year:

- On 30 November 2021 the Valencian Institute of Business Competitiveness (IVACE) approved a subsidy of 70,663 euros for *SME Innovation Projects: Innovation in EICTs (INOVATeiC-CV) 2021* for an eligible cost of 162,500 euros. The eligible expenses period was from 1 January 2021 to December 31 2022. The project was fully executed during the first half of the 2022 financial year.

- On 23 December 2021, the Valencian Institute of Business Competitiveness (IVACE) approved a subsidy of 141,369 euros for *R&D Projects in Cooperation (PIDCOP-CV) 2021* for eligible costs totalling 235,615 euros. The project execution period was from 11 March 2021 to 31 December 2022:

Moreover, during the 2022 financial year the Parent Company has benefitted from a RED.ES, M.P subsidy under the 2021 call for aid aimed at design engineering for research and development in artificial intelligence and other digital technologies and their integration into value chains for the sum of 1,270,090 euros for investment in personnel costs and a collaboration grant amounting to 1,587,519 euros. In 2024, the Group transferred the costs incurred in the financial year that were capitalised for the gross sum of 199,220 euros to a capital subsidy and transferred directly under the head of *Operating Subsidies Added to Profit for the Financial Year* and subsidised costs totalling 40,247 euros allocated directly as an expense for the year to the Consolidated Income Statement (note 13.d).

9 Financial liabilities

9.1 Analysis by categories

The following is the book value of the categories of financial instruments established in the registration and valuation rules of the Spanish General Accounting Plan (PGC) in accordance with the information contained in Note 3.8:

	Euros			
	Debt with credit institutions		Derivatives and others	
	30.6.24	2023	30.6.24	2023
Long-term financial liabilities:				
Valued at amortised cost:				
- Bank loans and credit lines	1,924,806	2,927,486	---	---
- Financial leasing creditors (note 6)	36,204	93,784	---	---
- Other financial liabilities	---	---	---	---
Total long-term	**1,961,010**	**3,021,270**	**---**	**---**
Short-term financial liabilities				
Valued at amortised cost:				
- Bank loans and credit lines	9,283,264	8,603,348	---	---
- Financial leasing creditors (note 6)	94,360	93,421	---	---
- Trade creditors and other accounts payable (*)		---	10,760,521	10,125,197
- Other financial liabilities	---	---	5,896,161	1,467,282
Entered at fair value with restatement in the IS:				
- Derivatives (note 10.1.a.3)	---	---	---	---
Total short-term	**9,377,624**	**8,696,769**	**16,656,681**	**11,592,479**

(*) Does not include balances with government agencies.

9.2 Analysis by maturity

The following are the amounts of financial liabilities with a determined or determinable maturity classified by year of maturity:

<u>As at 30 June 2024</u>:

	Non-current financial liabilities				
	30.06.26	30.06.27	30.06.28	Subsequent years	Total
Debt with credit institutions	1,275,134	502,167	147,505		1,924,806
Creditors for fin. leasing	36,204	---	---	---	36,204
Other financial liabilities	---	---	---	---	---
Total	**1,311,338**	**502,167**	**147,505**		**1,961,010**

As at 31 December de 2023:

	Non-current financial liabilities				
	2025	2026	2027	Subsequent years	Total
Debt with credit institutions	2,022,187	518,315	327,511	59,473	2,927,486
Creditors for fin. leasing	94,390	---	---	---	93,784
Other financial liabilities	---	---	---	---	---
Total	**2,115,971**	**518,315**	**327,511**	**59,473**	**3,021,270**

9.3. Debits and accounts payable

	Euros	
	30.06.24	2023
Long-term debts	**1,961,009**	**3,021,270**
• Debt with credit institutions	1,924,806	2,927,486
• Creditors for financial leases	36,203	93,784
• Other financial liabilities	---	---
Short-term debts	**15,273,785**	**10,164,052**
• Debt with credit institutions	9,283,264	8,603,348
• Creditors for financial leases	94,360	93,421
• Other financial liabilities	5,896,161	1,467,282
Trade creditors y others accounts payable:	**11,275,501**	**10,809,252**
• Suppliers	3,948,232	3,775,612
• Sundry creditors	6,110,884	5,541,761
• Trade advances	---	5,692
• Personnel (remunerations pending payment)	700,813	802,132
• Liabilities por current tax	590	---
• Other debts with government agencies (Note 12.1)	514,982	684,055
Debits and accounts payable	**28,510,295**	**23,994,574**

The following is a breakdown of the debts with credit institutions as at 30 June 2024 and 31 December 2023:

	Euros		Euros	
	30.06.24		31.12.23	
	Short-term	Long-term	Short-term	Long-term
Bank loans	9,029,480	1,924,806	8,403,264	2,927,486
Credit cards	60,494	---	60,999	---
Uncollected accrued interest	193,390	---	139,085	---
Total	**9,283,364**	**1,924,806**	**8,603,348**	**2,927,486**

a) Loans with credit institutions

The following is a breakdown of the most important conditions of the financial loans in effect as at 30 June 2024 and 31 December 2023:

			Euros			
			30.06.24		31.12.23	
Type of transaction	**Maturity**	**Limit**	**Short-term**	**Long-term**	**Short-term**	**Long-term**
Loan [(1)]	03.04.28	1,000,000	165,132	489,896	163,256	573,000
Syndicated loan A	12.12.25	6,000,000	1,455,206	770,632	1,380,073	1,532,034
Syndicated loan B	12.12.24	5,000,000	5,000,000	---	5,000,000	---
Syndicated loan C	12.12.24	2,000,000	1,681,626	---	1,182,387	---
COFIDES loan	21.07.26	500,000	416,667	---	500,000	---
Loan [(2)]	08.05.26	1,000,000	310,849	664,278	177,548	822,452
		Total	**9,029,480**	**1,924,806**	**8,403,263**	**2,927,486**

[(1)] ICO PYMES loan: on 3 May 2021 the Company obtained an extension of the grace period for repayment of the principal and extension of maturity.
[(2)] An ICO loan executed on 8 May 2023 with a grace period of one year.

The interest rate on debts with credit institutions is the Euribor plus a margin considered to be consistent with market rates. As at 30 June 2024, the Group has recognised the sum of 193,390 euros as accrued interest pending settlement (139,085 euros at the end of the previous year).

The average interest rate on long-term debts with credit institutions as at 30 June 2024 is 5.81% (5.85% in the previous financial year).

Syndicated financial restructuring agreement

On 14 December 2020 the Parent Company entered into an agreement for a syndicated financing line with a limit of 13 million euros. The following credit institutions took part in said agreement: Banco Santander, CaixaBank, Banco Sabadell and Deutsche Bank, and it is structured in three tranches:

- TRANCHE A, nominal sum of € 6 million for 5 years with half-yearly amortisation.
- TRANCHE B, Ordinary revolving credit. Nominal sum of 5 million euros for three years plus two potential 1-year renewals. Since it is subject to annual renewal, the current drawn-down balance of this tranche is classified as short-term debt.
- TRANCHE C, revolving credit (bilateral contracts). Nominal sum of € 2 million over 3 years with two annual renewals up to 5 years. Since it is subject to annual renewal, the current drawn-down balance of this tranche is classified as short-term debt.

The interest rate applicable to each settlement period will be Euribor + an initial 3% margin. This margin will vary depending on the variation in the net financial debt/EBITDA ratio at the end of each established review period.

Without prejudice to the Parent Company's unlimited personal liability deriving from its participation in the contracts set forth above, on the same date the subsidiary Ecertic Digital Solutions, S.L. placed a joint and several guarantee on first demand for all obligations arising from said contracts. Furthermore, pledge rights in rem have been constituted over the Parent Company's operating current account credit rights and the temporary amortisation account associated with the loan. Finally, as a guarantee for the aforesaid obligations the Parent Company has constituted a movable property mortgage on the Group's trademarks, which are valued at 2,244,829 euros.

On the bases of the estimates of its future cash flows included in its business plan, Group management considers that it will be able to meet all its contractual obligations arising from its current loans and financial credits on time.

The debt issuance conditions related to the syndicated loan entail compliance with various annual ratios determined on the basis of net financial debt and financial expenses, both with respect to EBITDA, calculated using the information set forth in the Parent Company's Financial Statements. As at 31 December 2023 the Parent Company had not met the ratios established in the aforesaid financing agreement and therefore requested a waiver from the financial entity on 21 November 2023, which was granted on 22 December 2023.

In order to avoid being required to repay said loan before its maturity in December 2025, the Parent Company undertakes to initiate the appropriate procedures to request and obtain a new waiver from the credit institutions for the syndicated loan before the end of the 2024 financial year.

COFIDES loan

On 26 June 2023 the Parent Company entered into a financing agreement with Compañía Española de Financiación del Desarrollo, COFIDES, S.A. for development of an investment project in the U.K. consisting of commercial establishment in said country by means of its subsidiary Facephi Beyond Biometrics, Ltd (the *Project Company*), an entity included in the Group's consolidation perimeter. The contract set up a financing facility in the form of a three-year loan of a maximum of 500,000 euros. On 5 July 2023 the Parent Company requested withdrawal of the total amount, which was received on 21 July 2023. The principal will be amortised in six identical payments per half year.

The interest rate applicable to each settlement period will be Euribor + a margin. This margin consists of a fixed rate of 2.5% + a variable rate of +/- 5% depending on the net turnover of the Project Company.

The conditions related to the COFIDIS loan entail compliance with various annual ratios determined on the basis of net financial debt and financial expenses, both with respect to EBITDA and to the co-financing ratio calculated on the basis of the information set forth in the Parent Company's Financial Statements. As at 31 December 2023 the Parent Company had not met the aforesaid ratios, which means that the entire principal loan amount of 500,000 euros was classified as short-term debt on the same date, the category in which it continues as at 30 June 2024.

b) Other short-term financial liabilities

The following is a breakdown of other short-term financial liabilities as at 30 June 2024 and 31 December 2023:

Type of transaction	30.06.2024	31.12.2023
Debts convertible to subsidies (note 8.3)	---	222,807
Nice & Green loans	897,860	1,243,482
HANCOM loans	5,001,306	---
Others	(3,005)	993
Total	**5,896,161**	**1,467,282**

Nice & Green loans

As at 30 June 2024 the Parent Company has entered into two financial transactions with Nice & Green for a total of 897,000 euros as shown in the following breakdown:

- 600,000 euros awaiting conversion from revenues received from the investor on 19 April 2024 for a total value of 600.000 euros (note 8.1.a). In view of the fact that this is a financial instrument carried at amortised cost (net value 585,000 euros), the Company recognises an implicit financial expense taking the twelve months from each cash draw-down into account due to the fact that the date of conversion by the investor is not known on issuance. As at 30 June 2024 the implicit interest pending conversion amounted to 12,857 euros. Conversion to capital is currently pending.

- A financing loan granted on 23 June 2022 for 700,000 euros, of which 300,000 are still outstanding. On 17 November 2022 this transaction was novated and extended until 10 November 2023 with 5% per annum fixed interest and repayment in a single instalment at maturity. This amount was novated again together with the conditions indicated in Note 8.1.a, Amendment of Convertible Bond Financing Contract.

Hancom loan

On 14 May 2024 the Parent Company entered simultaneously into an investment agreement and a collaboration agreement with Hancom Inc. The following are the main terms of these agreements.

- Investment of the sum of five million euros (€ 5,000,000) by HANCOM Inc. articulated by means of a convertible loan. The loan accrues interest at a rate of 0.2% and will be converted by means of a capital increase by offsetting credits. A conversion price of 2.95 euros per share has been agreed. As at 30 June 2024 said debt and accrued interest amounting to 1,306 euros have been recognised in Current Liabilities.

  The Parent Company's General Extraordinary Meeting held on 19 August 2024 agreed to increase the capital by offsetting credits for said loan of 5,001,306 euros (note 15).

- Exclusive distribution agreement: Hancom will act as the exclusive distributor of FacePhi's products, services and technology in the APAC (Asia-Pacific) region. The licencing model will be based on a revenue-sharing system. The agreement will have an initial term of three years, renewable on agreement of the parties.

c) Information on the average period of payment to suppliers. Additional provision three "Duty of Information" of Act 15/2010 dated 5 July.

In compliance with the duty of information provided for in Act 15/2010 (amended by Final Provision Two of Act 31/2014 of 3 December) that sets up measures to combat late payment in trade transactions, the following is a breakdown of the information on average supplier payment interval for trade transactions drawn up in accordance with the resolution of the Accounting and Auditing Institute (ICAC) dated 29 January 2016:

Item	**30.06.24**	**31.12.23**
	Days	**Days**
Average period of payment to suppliers	55	47
Ratio of paid transactions	53	43
Ratio of transactions pending payment	59	61
	Euros	
Total payments made	8,276,173	13,028,247
Total outstanding payments	3,825,352	4,101,488

	06/2024	31.12.2023
Number of invoices		
Total number of invoices paid	2,038	2,978
Number of invoices paid before the legal deadline	1,743	2,828
%	86%	95%
Amount in euros		
Total amount of paid invoices	8,276,173	13,028,247
Value of invoices paid within the legal deadline	5,829,474	10,210,105
%	70%	78%

For these purposes only, the Trade Creditors account encompasses items from suppliers and sundry creditors for debts with suppliers of goods or services included within the scope of the regulations on legal payment terms. The Net Purchases and External Services Expenses item encompasses the amounts recognised as such in the Spanish General Accounting Plan.

10. Position with respect to the tax agencies

10.1) Current balances with government agencies

The following is a breakdown of this account as at 30 June 2024 and 31 December 2023:

	Euros			
	30.06.24		31.12.23	
	Assets	Liabilities	Assets	Liabilities
Deferred tax assets (note 10.4)	**4,520,806**		**4,901,032**	
Deferred tax asset for:				
• VAT	578,542		392,104	
• Withholdings and other payments on account	---		143	
Other govt. agencies: Subsidies granted	1,270,090		1,480,518	
Other credits with public authorities	**1,848,632**		**1,872,765**	
Deferred tax liabilities (Note 10.4)		**246,555**		**209,947**
Debts with Social Security bodies		348,933		422,363
Deferred tax liability for:				
• VAT		(63,661)		(70,128)
• Personal income tax withholdings		229,710		331,820
Other debts with public authorities		**514,982**		**684,055**
Assets/liabilities for current taxes	**589**	**--**	**(733)**	**---**

10.2 Financial years pending verification and inspection

In compliance with the currently applicable legislation, taxes are not considered finally settled until the returns have been inspected by the tax agency within the four-year limitation period. As at 30 June 2024, none of the Group's main tax returns since 30 June 2020 have been inspected and are therefore open to examination by the tax agencies.

Group management considers that it has properly settled all applicable taxes. However, in the event of an inspection, discrepancies could arise between Company management and the tax inspectorate on the interpretation of the regulations with respect to the fiscal treatment of certain transactions that could entail additional tax-related liabilities. Notwithstanding the above, management does not expect such liabilities, even if they do arise, to significantly affect the Group's Consolidated Interim Financial Statements.

10.3 Reconciliation of the accounting outcome and current expense for corporation tax

The Group has not accrued any corporation tax provision whatsoever since these are Consolidated Interim Financial Statements and because it has generated losses during the six-month period ended 30 June 2024. Nevertheless, the sum of 209,917 euros (182,034 euros as at 30 June 2023) is recognised in this section of the Consolidated Income Statement for withholdings at source exercised by the tax agencies of third countries, the deduction for double taxation of which is pending recognition at the end of the period under review.

10.4 Deferred tax assets and liabilities

Deferred tax assets

The Group only recognises deferred tax assets for deductible temporary differences, negative tax base and deductions and other unused tax rebates will to the extent that it is probable that the Group will have future taxable profits that enable application of these assets.

Tax rebates pending application

The following is a breakdown of the Group's deferred tax assets on the Consolidated Balance Sheet as at 30 June 2024 and 31 December 2023:

Item	Year of origin	2022	Generated	Applied	Estimate changes	2023	Capitalisation	30.06.24
Cross-border double tax.	2018	57,862	---	---	---	57,862	---	57,862
ECERTIC merger R&D	2018	97,364	---	---	---	97,364	---	97,364
Research and development	2019	90,089	---	---	---	90,089	---	90,089
Cross-border double tax.	2020	205,158	---	---	---	205,158	---	205,158
Research and development	2020	260,497	---	---	(52,099)	208,398	(208,398)	---
Film production	2020	126,632	---	---	---	126,632	---	126,632
Cross-border double tax.	2021	316,078	---	---	---	316,078	---	316,078
Research and development	2021	303,012	---	---	(57,621)	245,391	(230,484)	14,908
Cross-border double tax.	2022	97,648	---	---	---	97,648	---	97,648
Rebate for donations (35%)	2022	998	---	---	---	998	---	998
Research and development	2022	---	1,657,744	---	---	1,657,744	---	1,657,744
Cross-border double tax.	2023	---	579,375	---	---	579,375	---	579,375
Rebate for donations (35%) (*)	2023	---	4,480	---	---	4,480	---	4,480
Total		**1,555,337**	**2,241,599**	**--**	(109,720)	**3,687,217**	**(438,881)**	**3,248,336**

(*) Rebate not recognised as at 31 December 2023 and 30 June de 2024

All the above rebates were generated by the Parent Company. The subsidiary Celmuy has recognised a tax asset of 58,655 euros.

In September 2021 a substantiated report of mandatory compliance (Spanish acronym *IMV*) was received that fiscally qualified the rebates as research and development. This entails a change from a rebate of 12% to one of 42% of the investment associated with the R&D projects. Consequently, the Group recognised the change in the estimate of the amount of these rebates for the sum of 245,208 euros in the 2022 financial year.

Along the same lines, in the 2022 financial year the Group recognised the I.T. deductions generated in the 2021 financial year for the sum of 303,012 euros as a change in accounting estimate and those generated by ECERTIC, a company merged in 2022, for 97,364 euros.

In the 2023 financial year the Group recognised an R&D&i expense rebate for 80% of the value of the IMV and the amount recognised in the corporation tax settlement for deductions in the 2022 financial year. The Group recognised 80% of the same for the sum of 1,657,744 euros on the Consolidated Balance Sheet since it has requested capitalisation of the amount. In application of the same criteria, in the 2023 financial year the deductions for R&D+i generated in the 2020 and 2021 financial years – initially recognised at 100% – were also reduced by 109,720 euros due to inclusion of capitalisation of the same in the corporation tax return for the 2022 financial year. In 2024 the Company received the sum of 438,881 euros for capitalisation of said deductions.

Tax credits for negative taxable bases

30 June 2024

Year of origin	Pending tax bases 2022	Generated in 2023	Offset in 2023	Pending bases 2023	Tax credit
	Euros				
2023 financial year	---	4,873,183	---	4,873,183	1,218,296
Total	**---**	**4,873,183**	**---**	**4,873,183**	**1,218,296**

31 December 2023

Year of origin	Pending tax bases 2022	Generated in 2023	Offset in 2023	Pending bases 2023	Tax credit
	Euros				
2023 financial year	---	4,873,183	---	4,873,183	1,218,296
Total	**---**	**4,873,183**	**---**	**4,873,183**	**1,218,296**

The Directors have not recognised the negative taxable bases of the subsidiary FacePhi Beyond Biometrics Ltd on the Consolidated Balance Sheet since the objective conditions for doing so have not been met.

Deferred tax liabilities

The Group consigns temporary tax differences derived from the subsidies received and transferred to the outcome for the financial year to this section.

The following is the breakdown of movements under this head for the first half of 2024 and the 2023 financial year:

	Euros	
	30.06.2024	**2023**
Initial balance	**209,947**	**64,092**
Temporary differences created / (reversed) for:		
- Capital subsidies granted (note 8.3)	25,430	171,889
- Capital subsidies transferred to profit/(loss (note 8.3)	(31,097)	(21,149)
- Restated capital subsidies (note 8.3)	42,275	---
- Conversion differences	---	(4,885)
Final balance	**246,555**	**209,947**

11. Income and Expenditure

a) Net turnover

The following is the geographic spread of the consolidated net turnover for the Group's ordinary activities:

	%	
Market	**30.06.24**	**2023**
Spain	0.98	1.91
Other countries	99.02	98.09
Total	**100.00**	**100.0 0**

Furthermore, net turnover can be analysed by business line as follows:

	%	%
Line	**30.06.2024**	**30.06.2023**
Provision of services	100	100
	100	**100**

As at 30 June 2024, the sum of 942,993 euros (1,138,868 euros as at 31 December 2023) was recognised under the head of "Short-term Accruals" in Current Liabilities on the attached Consolidated Balance Sheet as an estimate of revenue from support, maintenance and provision of SaaS (cloud) services, accrual of which is scheduled for the following period.

b) Inventory

Costs accrued for licensed use of certain computer programs and software necessary to develop the products that the Group will subsequently market under license are set forth under this head in the Consolidated Income Statement. The sum of 2,144,126 euros has been recognised as at 30 June 2024 (1,899,781 euros as at 30 June 2023).

c) Work performed by the Group for its own assets

	Euros	
	30.06.2024	**30.06.2023**
Work performed by the Company for its own assets 4 …………….	2,366,543	2,100,488
	2,366,543	**2,100,488**

The amounts set forth in the above table, capitalised in Intangible Assets, originate in the improvements and new versions of its software that the Group has continued to make and are recognised in intangible fixed assets (see note 4).

d) Personnel expenses

The following is a breakdown of personnel expenses as at 30 June 2024 and 2023:

	Euros	
	30.06.2024	**30.06.2023**
Wages, salaries and others	6,692,679	5,509,719
Severance payments	278,895	16,282
Company's Social Security contribution	1,200,309	932,342
Other employee benefits	131,552	94,730
Provisions.	---	54,770
	8,303,435	**6,607,843**

The following is the average number of employees in the financial year by category:

	30.06.2024	**30.06.2023**
Senior management	2	1
Scientific, intellectual and support technicians and professionals	172	155
Clerical workers	40	54
Sales force and similar	19	19
Average total employees	**233**	**229**

These employees were distributed by gender as follows at the end of the financial year:

	30.06.2024			**30.06.2023**		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Executive directors	2	---	2	1	---	1
Scientific, intellectual and support technicians and professionals	146	26	172	126	29	155
Clerical workers	12	28	40	20	34	54
Sales force and similar	14	5	19	13	6	19
Total workforce at the end of the financial year	**174**	**59**	**233**	**159**	**69**	**229**

As at 30 June 2024 and 2023 the Company employs two workers with a disability equal to or greater than 33%.

e) Other operating expenses

The following is a breakdown of *Other Operating Expenses* as at 30 June 2024 and 2023:

	Euros 30.06.2024	30.06.2023
External services:		
Leases and fees	366,833	489,642
Repairs and upkeep	28,837	17,843
Freelance professional services	3,965,929	4,130,787
Transport	101	13,407
Insurance premiums	117,923	88,719
Banking and similar services	29,906	47,693
Advertising, promotion and public relations	601,012	555,587
Supplies	22,988	7,010
Others services	1,476,350	662,209
Other expenses		
Taxes	912	3,672
Loss, impairment and variation of provisions for uncollectible trade transactions.	297,691	301,826
Other operating expenses	**6,908,432**	**6,318,395**

f) Foreign currency: Exchange differences

The overall value of assets denominated in foreign currency (f.c.) on the Consolidated Balance Sheet amounts to 23,716,587 euros. The following are the most significant items:

		Euros	
Item	**Currency**	**30.06.2024**	**31.12.2024**
Trade accounts (foreign currency)	USD	23,023,576	22,686,285
Trade accounts (foreign currency)	KRW	469,195	161,275
Treasury (c/c in f.c.)	USD	39,640	1,499,915
Treasury (c/c in f.c.)	KRW	153,118	220,098
Treasury (cash f.c.)	GBP	---	11,888
Fixed-term deposits (f.c.)	USD	31,344	31,244
	Total	**23,716,587**	**24,610,805**

The following is a breakdown of liabilities denominated in foreign currency:

		Euros	
Item	**Currency**	**30.06.2024**	**31.12.2023**
Creditors (f.c.)	USD	6,082,450	2,906,714
Creditors (f.c.)	KRW	96,704	31,537
Creditors (f.c.)	GBP	125,395	166,889
Advance trade payments (f.c.)	KRW	---	5,692
	Total	**6,304,549**	**3,110,832**

Transactions in foreign currency:

	Euros	
	6/2024	6/2023
Services received (USD)	(3,252,933)	(1,744,174)
Sales of services provided (USD)	11,039,770	9,267,330
Sales of services provided (KRW)	586,176	204,555
Services received (KRW)	(191,073)	(27,917)

The following table shows the amounts of the exchange rate differences recognised in the Consolidated Income Statement for the period. The figures for transactions settled during the period are reported separately from those pending settlement as at 30 June 2024 and 2023:

		Exchange rate differences	
Financial instrument	**Currency**	**30.06.2024**	**30.06.2023**
Negative cash differences	USD	117,703	3,759
Positive cash differences	USD	(528)	(1,870)
Negative differences from trade collections	USD	27,576	127,460
Positive differences from trade collections	USD	(42,111)	(68,661)
Negative differences in payments to suppliers	USD	16,403	1,491
Positive differences in supplier payments	USD	(37,683)	(19,732)
Negative cash differences	GBP	(78)	---
Positive cash differences	GBP	1,177	---
Negative cash differences	KRW	1,078	---
Positive cash differences	KRW	(2,930)	---
Positive diffs for financial instr. balances	USD	(6,579)	(7,035)
Negative differences for financial instr. balances	USD	6,413	---
Total transactions settled in the financial year		**80,441**	**35,412**

		Exchange rate differences	
Financial instrument	**Currency**	**30.06.2024**	**30.06.2023**
Positive differences due to trade balances	USD	(758,062)	(234,835)
Negative differences due to trade balances	USD	94,941	
Positive differences due to financial inv. balances	USD	---	467
Negative differences for financial inv. balances	USD	---	
Positive differences for supplier balances	USD	---	(20,726)
Negative differences for supplier balances	USD	341,330	---
Total for transactions pending maturity		**(327,791)**	**(255,094)**
Total exchange rate differences allocated to the fin. year		**(241,350)**	**(219,682)**

12. Remuneration of members of the Board of Directors and senior management

In accordance with the proposal of the Appointments and Remuneration Committee on 23 May 2024, subsequently ratified by the General Meeting held on 28 June 2024, the Governing Bodies and the Board of Directors received the following remuneration for the 2024 financial year:

- For senior management remuneration (CEO): a total of 721,556 euros plus a special bonus of 150,000 euros and a variable payment subject to the variation in net turnover.

- Remuneration of the Board of Directors: the sum of 390,000 euros for remuneration of the Audit Committee and the Appointments and Remuneration Committee.

In addition, although not included in the Appointments and Remuneration Committee, the tasks carried out by the General Manager is considered to pertain to senior management and endowed with a fixed salary of 400,000 euros in 2024 plus a variable component subject to variation in net turnover.

Pursuant to these agreements, the following remuneration has accrued as at 30 June 2024 and 2023

a) Remuneration of members of the Board of Directors and senior management.

The members of the Board of Directors – some of whom are also senior managers – received the following statutory and salary remuneration including Board expenses and per diem allowances, remuneration in kind and insurance premiums of civil responsibility for managers and directors:

	Euros	
	6/2024	**6/2023**
Remuneration:		
Remuneration-senior management	603,359	330,000
Variable remuneration-senior management	---	165,000
Board and Audit and Remuneration Committee allowances	186,667	195,000
Other remuneration	465,000	---
Insurance premiums	6,780	2,623
Total remuneration	**1,261,806**	**692,623**

Neither the members of the Board of Directors nor senior management have been granted advances, financial credits or benefitted from pension-related schemes.

b) Directors and conflict of interest

In compliance with the duty of avoiding situations that could entail a conflict of interest with the Group, all directors who have held offices on the Board of Directors have fulfilled the obligations set forth in article 228 of the consolidated text of the Corporate Enterprises Act during the financial year. Furthermore, both the Directors and persons related to the same have refrained from incurring in the cases of conflict of interest which may be authorised by the governing body provided for in article 229 of said Act.

13) Provisions and contingencies

The Parent Company has placed bonds to guarantee compliance with the service and licensing contracts entered into with some of its clients. The following is a breakdown said guarantees as at 30 June 2024 and 31 December 2023:

			Euros	
Issue	**Maturity**	**F.C.**	**30.06.24**	**31.12.23**
08/07/2021	20/09/2026	USD (*)	33,011	33,133
15/03/2023	30/07/2024	USD	16,814	16,290
04/01/2022	Indefinite	USD	9,341	9,055
11/01/2022	25/08/2024	USD	23,862	23,119
12/04/2023	01/04/2024	USD	---	101,357
01/04/2024	01/04/2025	USD	80,519	---
27/02/2024	02/06/2025	PCL	28,730	---
		Totals	**192,277**	**182,949**

(*) Said surety is pledged in a fixed-term deposit for USD 35,500 (Note 9).

14. Sundry information

a) Auditing fees

On 30 June 2023 the Parent Company's General Meeting agreed to renew the appointment of ERNST & YOUNG S.L. as auditors for the financial years ending on 31 December 2023, 2024 and 2025.

The following are the estimated fees for the 2024 financial year for the various services provided by the auditors and the sum total of fees invoiced in the 2023 financial year:

	Euros	
	2024	**2023**
Audit services:		
Audit of individual annual financial statements	38,480	37,000
Audit de consolidated annual financial statements	17,056	16,400
Other services related to audits:		
Review of the Consolidated Interim Financial Statements as at 30.06	23,504	22,600
Other accounting verification services	2,496	2,400
Total	**81,536**	**78,400**

As at 30 June 2024 and 31 December 2023 no fees have been accrued by other companies of the same networks as the Group's auditors.

b) Off-balance-sheet agreements

Provided that the information involved would be significant or helpful in determining the Group's financial position, there are no agreements or contracts or their potential financial impact that have not been included in the Balance Sheet and/or concerning which, information has not been provided in other notes to the Report.

15. Events subsequent to the end of the period under review

As provided for in article 301 of the Consolidated text of the Corporate Enterprises Act (TRLSC), at an Extraordinary General Meeting held on 19 August 2024, the Company agreed to increase its capital by offsetting credits associated with the investment agreement with the HANCOM group – and consequently without preferential subscription rights – for an effective sum (par value plus premium) of 5,001,306.1 euros (note 9.3.b) by means of issuance and trading of 1,695,358 of the Company's ordinary shares with a par value of 0.04 euros each. Amendment of Article 5 of the Articles of Association.

On 22August the Company entered into a new loan agreement for 1,800,000 euros with N&G, the amount of which replaces the outstanding balance of the convertible bond agreement. Disbursement of this loan was implemented by offsetting the 300,000 euros pending amortisation as at 30 June 2024 of the previous loan (note 9.3.b).

On 30 September, the drafting date these Consolidated Interim Financial Statements, a new credit agreement was signed with N&G for the sum of 2,000,000 euros to be repaid in 2024 in 4 instalments of 500,000 euros. Said contract provides that the 2,000,000 euros may be capitalised on maturity on 31 March 2025. Furthermore, the term of both the issued bonds convertible into shares for the sum of 600,000 euros (note 9.3.b) that can be converted at any time until 25 April 2025 and of the aforesaid 1,800,000 euros drawn down in August were novated, setting their intended capitalization at their maturity on 21 November 2024.

No other significant events have occurred subsequent to the drafting date of these Consolidated Interim Financial Statements.

Alicante, 30 September 2024

* * * * * *

Individual Balance sheet 30th june 2024 (in Euros)		
ASSETS	**30/06/2024**	**31/12/23**
A) NON-CURRENT ASSETS	**30.754.467**	**30.427.857**
I. Intangible fixed asset	**12.018.270**	**11.837.865**
II. Tangible fixed assets	**2.417.187**	**2.565.865**
IV. Non-current investments in group and associated companies	**3.925.417**	**3.925.417**
V. Non- current financial investments	**131.709**	**129.785**
VI. Deferred tax assets	**4.462.150**	**4.901.032**
VII. Commercial debtors	**7.799.734**	**7.067.893**
B) CURRENT ASSETS	**18.807.330**	**18.085.530**
III. Trade and other receivables	**16.605.625**	**14.762.253**
1. Clients from sales and provision of services	14.772.681	12.973.216
3. Other debtors	3.315	433
5. Assets for current assets	0	(733)
6. Other credits with Public Administration	1.829.629	1.789.338
IV. Current Investments in Group Companies	**1.035.282**	**0**
V. Current financial investments	**52.940**	**49.414**
VI. Short term accruals	**638.726**	**675.239**
VII. Cash and cash equivalents	**474.757**	**2.598.624**
TOTAL ASSETS	**49.561.798**	**48.513.387**
EQUITY AND LIABILITIES	**30/06/2024**	**31/12/23**
A) EQUITY	**19.868.694**	**23.199.752**
A-1) Shareholders' equity	**19.129.028**	**22.569.909**
I. Capital	**903.574**	**851.585**
II. Share premium	**26.679.312**	**24.231.301**
III. Reserves	**(14.975)**	**208.198**
IV. (Treasury stock and shares)	**(360.306)**	**(393.977)**
V. Gains retained	**(2.327.198)**	**0**
VI. Result attributed to the parent company	**(5.751.378)**	**(2.327.198)**
A-3) Grants, donations and legacies received	**739.665**	**629.843**
B) NON-CURRENT LIABILITIES	**2.244.469**	**3.258.245**
I. Non-current provisions	**36.904**	**36.904**
II. Non-current debt	**1.961.010**	**3.011.394**
2. Debt with financial institutions	1.924.806	2.927.486
3. Financial lease creditors	36.204	83.908
IV. Deferred tax liabilities	**246.555**	**209.947**
C) CURRENT LIABILITIES	**27.448.635**	**22.055.391**
II. Short term provisions	**90.350**	**288.168**
III. Current debt	**15.274.793**	**10.162.350**
2. Debts with financial institutions	9.283.264	8.603.348
3. Financial lease creditors	94.360	92.287
5. Other financial liabilities	5.897.168	1.466.715
IV. Current debts in Group companies	**89.162**	**0**
V. Trade and other payables	**11.054.698**	**10.473.072**
1. Suppliers	3.849.563	3.640.986
2. Suppliers, group companies and associated	237.102	175.828
3. Other creditors	6.045.292	5.478.887
4. Other payables	513.332	620.918
6. Other debts with Public Administration	409.409	556.453
VI. Short term accruals	**939.632**	**1.131.801**
TOTAL EQUITY AND LIABILITIES	**49.561.798**	**48.513.387**

Individual Profit and loss account 30th june 2024 (in Euros)		
	(Debit) Credit	
	30/06/2024	30/06/2023
A) CONTINUED OPERATIONS		
1. Net Revenue	**11.074.650**	**9.544.648**
b) Services provided	11.074.650	9.544.648
2. Work undertaken by the Company on its own assets	**2.366.543**	**2.100.488**
3. Supplies	**(3.241.667)**	**(1.899.781)**
c) Work undertaken by third party companies	(3.241.667)	(1.899.781)
4. Other operating income	**80.877**	**84.878**
a) Ingresos accesorios y otros de gestón corriente	40.629	29.187
b) Operating grants deffered to the exercise	40.247	55.691
5. Staff expenses	**(6.902.181)**	**(5.565.767)**
a) Salaries, remunerations and similar expenses	(5.752.406)	(4.705.619)
b) Social contributions	(1.149.775)	(858.673)
c) Provisions	0	(1.475)
6. Other operating expenses	**(6.103.597)**	**(5.998.433)**
a) External Services	(5.805.907)	(5.081.288)
b) Other expenses	0	(615.319)
c) Loss, impairment and variation in provisions for trade operations	(297.691)	(301.826)
7. Fixed assets depreciation	**(2.652.353)**	**(1.337.593)**
8. Allocation of grants related to non-financial fixed assets and other	**124.388**	**141.124**
11. Impairment losses and gains or losses on fixed assets	**0**	**(142)**
14. Other profit / loss	**1.593**	**25.502**
A.1) OPERATING PROFIT/ LOSS	**(5.251.747)**	**(2.905.076)**
14. Financial income	**270.584**	**20.644**
15. Financial expenses	**(829.077)**	**(402.389)**
b) Others	(829.077)	(402.389)
16. Variations in the fair value of financial instruments	**0**	**(268.802)**
17. Adjustments for changes	**246.769**	**220.150**
A.2) FINANCIAL PROFIT/ LOSS	**(311.723)**	**(430.397)**
A.3) PROFIT/ LOSS BEFORE TAX	**(5.563.470)**	**(3.335.473)**
24. Income tax	**(187.908)**	**(182.034)**
A.4) PROFIT/LOSS FROM CONTINUED OPERATIONS	**(5.751.378)**	**(3.517.508)**
A.5) PROFIT/LOSS FOR FINANCIAL YEAR	**(5.751.378)**	**(3.517.508)**

Review of the Accounts

First half
2024

Letter from the **CEO**

Javier Mira

I would like to highlight everything that 2024 has shown us so far. It has been a year of consolidation, including important agreements such as the one reached with HANCOM, which marks a significant milestone in terms of our international footprint, especially in the APAC region, and new opportunities in the technology landscape.

Strategic partnerships and a new revenue recognition model are proving effective. The current €11.7 million turnover is already positive for growth.

We have strengthened leadership and management with a strategic focus by creating new positions for the CFO and Investor Relations, an Operations Directorate in LATAM, which has become a global customer support centre, and by incorporating Nice&Green into our Board of Directors.

Our adaptability is based on technological innovation with a strong focus on security, which has led us to include new functionalities such as behavioural biometrics, premium UX consultancy services and KYB Platform.

We positioned ourselves as an anti-fraud benchmark, organising proprietary events for the first time, such as the Digital Trust Meet, which took place in Spain and Mexico and included companies, institutions and leading individuals.

This year we celebrated our tenth anniversary on the BME Growth, the Spanish stock market.

I would like to thank all the Facephi team for their commitment and dedication, as well as the trust placed in us by each and every one of the entities that count on us.

Contents

Business development

Digital identity protection and verification experts

Moving towards **integrated digital** identity management

On facephi Onboarding

Verifies your customer's identity **in less than 10 seconds**

- Passive Liveness
- Validation against exclusion lists
- Government databases
- Video onboarding
- OCR scanning
- Document validation
- Onboarding video recording
- NFC Verification

Au facephi Authentication

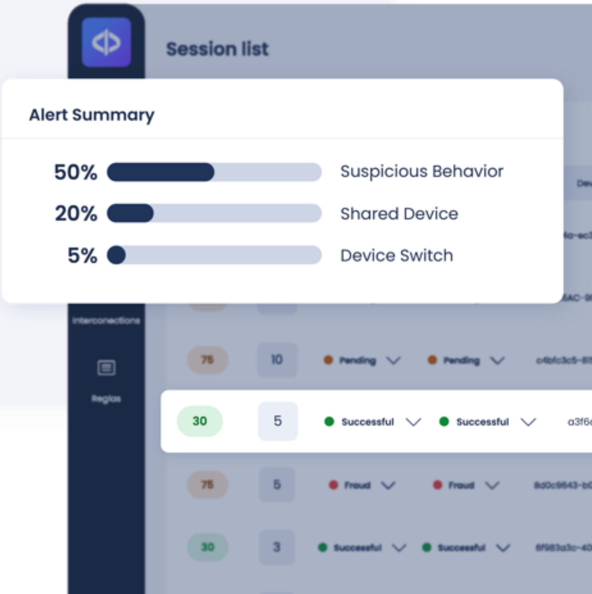
Ensures that users are genuine, **reducing fraud and securing** user interactions

- Fingerprinting
- Facial
- Voice

Ip Identity Platform

Improves security processes by centralising, monitoring, and orchestrating user verification.

- Transactions
- Anti-fraud
- Design Studio
- UX | UI
- Compliance
- AI
- Behaviour



Services Financial

Insurance

Healthcare

Airlines

Telecoms

Travel and Transport

Public Administration

Hospitality

Fintech

E-Commerce

Sports Events

We adapt to **market needs and industries** that demand our technology.

Shared Mobility

Crypto

Investment

Security

E-Learning

Pensions

Legal Services

Online Gaming

Over a decade of **milestones**

2012

facephi
Founded in Alicante, Spain

13-14

Grupo Mutual
First client acquired

BME Growth
Spanish stock market listing

15-16

Bi Banco Industrial
First major bank on board

The team begins to grow

2017

HORIZON 2020
€1.7M granted

2018

Team growth

Au facephi Authentication
Facephi's core product

2019

On facephi Onboarding
It becomes our main product

facephi
We opened an office in **APAC**

2020

ecertic
Procured electronic signature company

EURONEXT
Dual listing in Paris

2021

We launched
Ip Identity Platform

We doubled our client portfolio

Major team expansion

2022

facephi
We opened an office in **LATAM**

facephi
We opened an office in **EMEA**

2023

We launched The Facephi Identity Wallet

Opening and consolidation of the Partner Channel

2024

International partnership with the Korean **HANCOM** group

Nice&Green joins our **Board of Directors**

Samsung Securities chooses us to verify user identity in APAC

2025

Digital identity, a global trend across the board

Financial institutions

- New banking models such as Open Banking or Open Fintech hinge on generating ecosystems based on trust.
- New regulations will impact the sector and less regulated environments such as crypto.
- Fraud control and risk minimisation

Transport and borders

- Many initiatives are underway to standardise the use of digital identities at airports, including IATA's One ID.
- Facephi is already involved in projects that improve the traveller experience in a secure way, based on identity verification technology.

Public Institutions

- ID Wallet in EU expected to be available by 2030
- UN and World Bank promoting Digital identity with ID4D project
- NIST promotes Digital ID standardisation project

e-services

- Digital first customers operating exclusively online need secure environments, subject to regulatory frameworks such as GDPR.
- KYC and the construction of qualified identities will become the cornerstone of the entire ecosystem on which CX is built.

Our technology

Dual-listing

BME Growth EURONEXT

We celebrated our **tenth anniversary at BME Growth**

Since we joined, we have undergone significant growth and evolution, establishing ourselves as a global benchmark in digital identity.

“We have access to financing tools that have helped us go from being a Start Up to a Scale Up”

Javier Mira, Facephi CEO

Organisational changes

Carlos Oderiz appointed as **Strategy Director**

Carlos Falero appointed as **Chief Operating Officer of Facephi LATAM** and General Manager LATAM.

Aitor D'Oxandabaratz joins our Board of Directors as **CFO** (Chief Financial Officer)

Nice&Green joins our **Board of Directors** represented by Manuel Lanfossi.

Antonio Jorge Gonzalez joins as **Investor Relations Director**

Organisational changes

Our steady growth and portfolio expansion, together with a customer centric strategy, has led us to focus on continuously improving our customer support.

This involves applying strategic measures that benefit our internal processes to improve operability and customer satisfaction for those who rely on our solutions.

Since 2022, Uruguay is Facephi's subsidiary in LATAM, offering a support service to all Latin America. Its development also makes it the new customer support headquarters for all regions.

Uruguayan subsidiary, new **global customer support** structure

+25

Countries

300M

Transactions

We are **trusted by leading banks and companies worldwide.**

Maximum **security** and maximum **recognition**

Certificates

*Starts after Anexo FII presentation. 12k + 6m

S1 2024 Milestone

ENS High Category Achievement

Associations

Awards

Facephi named Sample Vendor in Gartner's 2024 Hype Cycle for Financial Crime

Our technology is regularly evaluated by NIST.

Member of IATA's Data & Technology Strategic Partnerships Program.

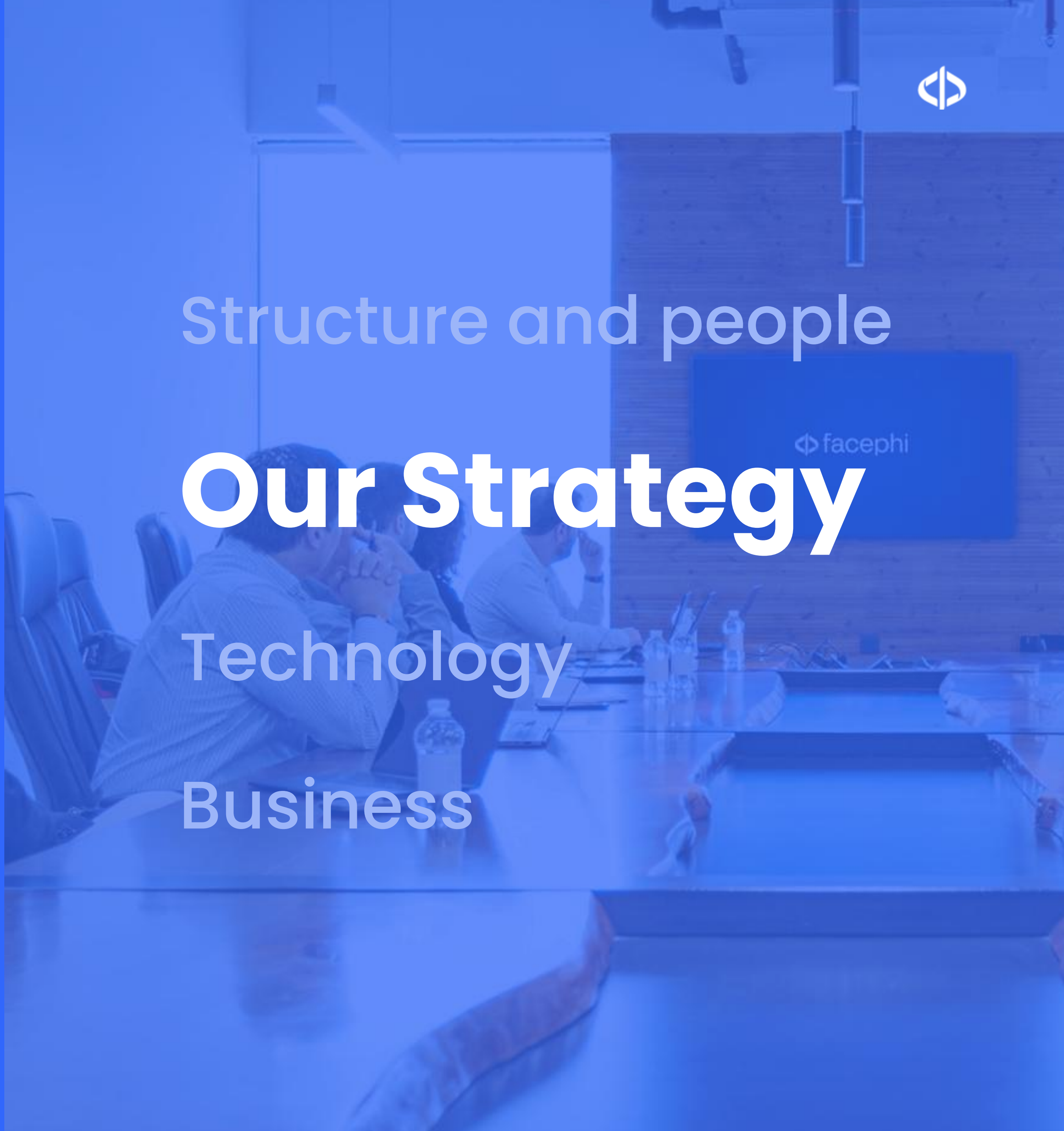
Management Report

Consolidation in LATAM and expansion in APAC

Facephi has pursued a firm strategy **focused on innovation and consolidation in international markets** so far in 2024.

The expansion in the APAC region is noteworthy thanks to the investment agreement with HANCOM, who becomes the exclusive distributor of our products in the region.

We have increased our positioning as a trust provider through the verification of digital identity, following the Digital Trust Meet events, of our own creation, in Madrid and Mexico City.



Our strategy

Various measures have been implemented to reach our objectives, such as:

Community Partners

It will drive our business model's scalability by increasing our presence in more countries and productive sectors.

International certifications

By obtaining international certifications, we can tap into new scenarios where we can apply our technology and comply with the highest quality standards.

Nice & Green financing agreement and joining the Board of Directors

The necessary resources were obtained to boost the planned expansion and to meet our objectives successfully. We finalised the convertible bond issue backed by Nice & Green, which became a member of our Board of Directors.

Strengthening our commercial network

We hired new team members to reinforce the commercial structure and boost our expansion in LATAM and EMEA.

Investment agreement with HANCOM

We signed a €5 million investment agreement with HANCOM, which consolidates the distribution of our solutions in Asia-Pacific.

Investment in R&D

Increasing our investment in R&D is essential to continue developing innovative processes focused on customising our solutions to meet new industry needs and use cases.

We signed a **€5 million investment** agreement with **HANCOM**.

Following the investment agreement, HANCOM has become the company's second largest shareholder and exclusive distributor of Facephi products in the Asia-Pacific (APAC) region. This move marks a significant milestone in our international growth, being a direct route to expand our verification services in the region and strengthening HANCOM's product portfolio.

Strategic objective

Hosting **proprietary Digital Trust Meet events**, with editions in Spain and Mexico.

The Facephi Digital Trust Meet events held in 2024 for the first time, provide a meeting point to discuss the challenges of verified digital identity in the fight against fraud and the impact of generative artificial intelligence.

With one edition in Madrid and another in Mexico City, almost 300 people in total were able to share knowledge, demystify concepts and outline a joint future that ensures a trustworthy environment for companies and users.

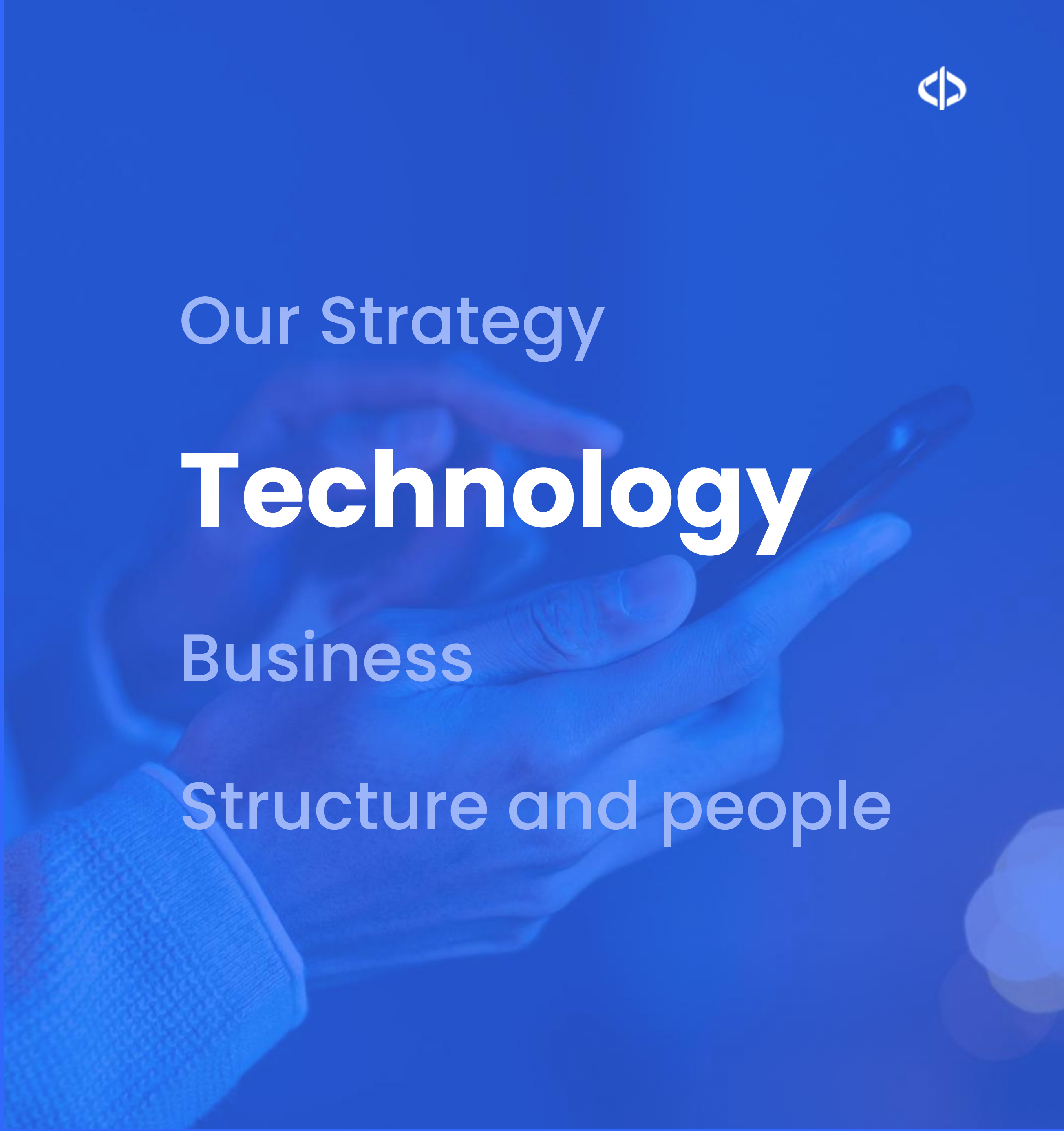
Representatives from companies such as KPMG, Eviden, and institutions such as CNBV, PRODECON, etc. participated in the event.

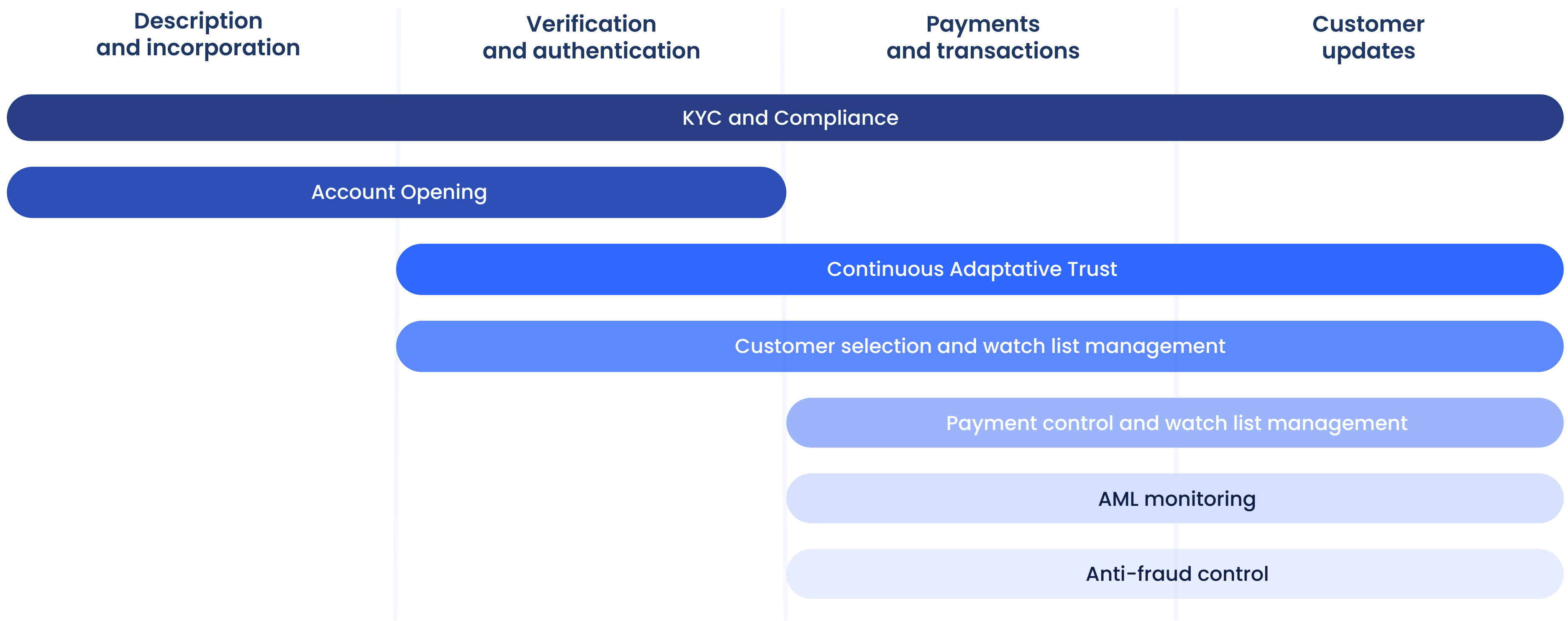
Innovating into the future

Throughout 2024, **we have expanded our technology portfolio** with significant advances, establishing our position in digital identity authentication and verification.

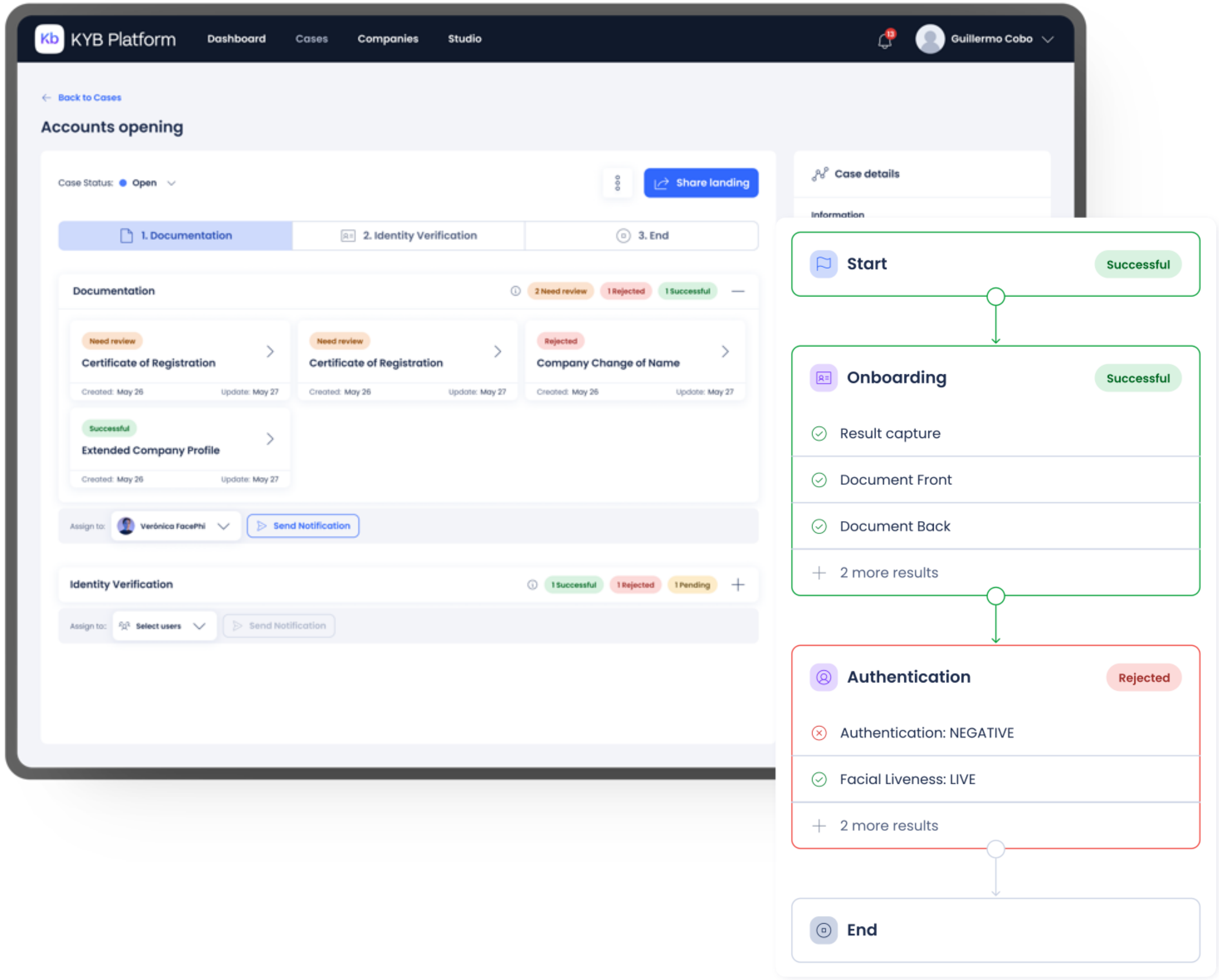
We included new features such as behavioural biometrics, premium UX consulting service Facephi Integra and KYB Platform, focused on business.

These achievements rank us as pioneers in digital, communications and financial crime security, and have been recognised by relevant international organisations, including **NIST**.





Protecting every step of the **customer journey**



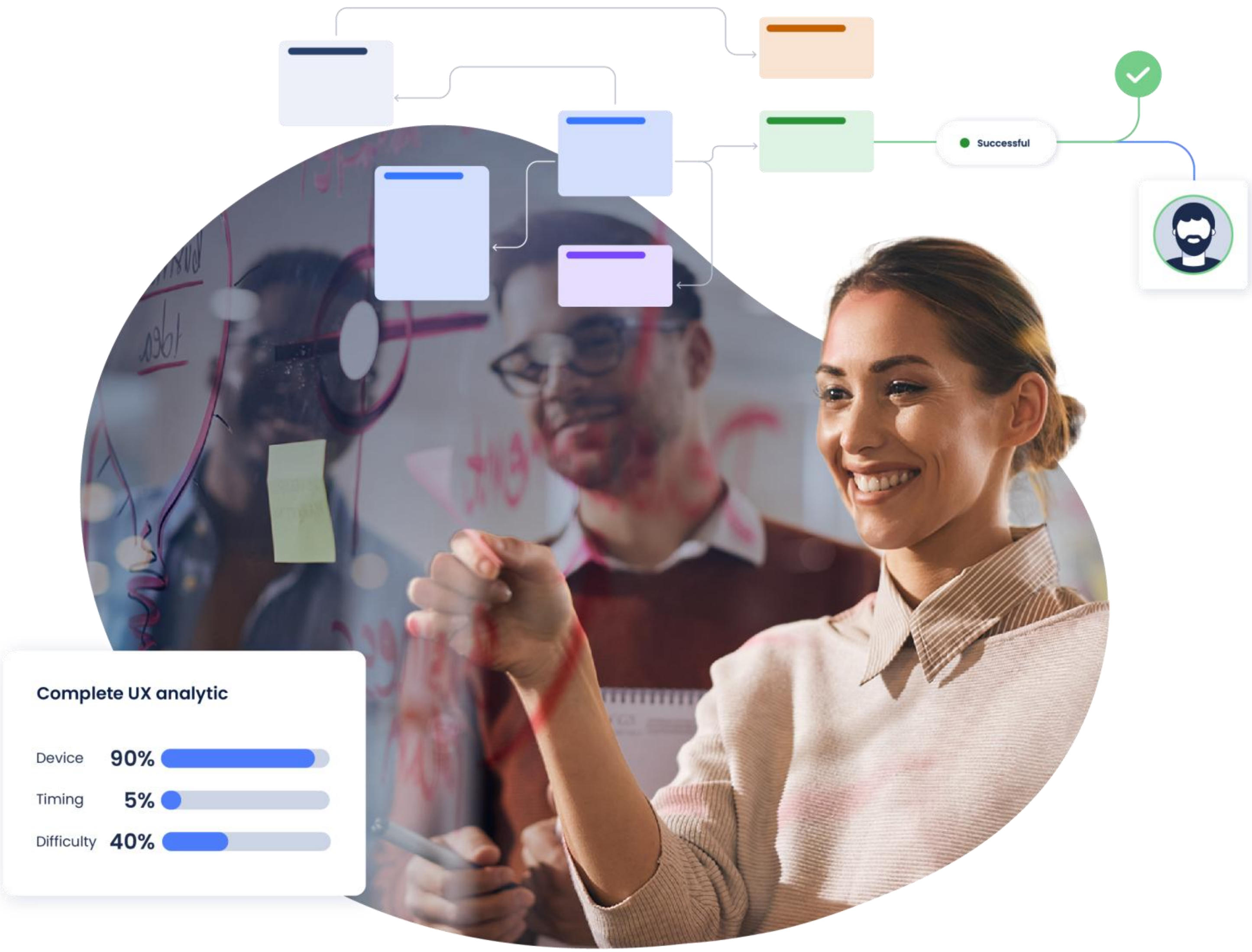
Facephi
KYB Platform

The end-to-end verification platform for business

Facephi
Integra

Premium consulting and support

Facephi Integra is a premium
boutique consultancy
and end-to-end support service.



We secure the entire customer journey using **behavioural biometrics**

Consolidation and transparency

We brought turnover to **€11.7 million**.

The figures continue to reflect financial strength while maintaining the current strategic direction with a clear focus on market leadership.

We have established new strategic alliances and expanded our client base with the addition of major accounts in all regions.

Customers

Some relevant customers during the period:

Samsung Securities

South Korea

Samsung Securities chooses our technology to verify the identity of its users.
We became part of Samsung Securities' financial platform, a financial services subsidiary of the Samsung Group, further consolidating our position in the Asia Pacific market.

MOVILMAX

Guatemala

We joined MovilMax Guatemala to improve authentication in advanced electronic signature processes. This integration will include video authentication and electronic signature, which will streamline the identification of users through their biometric data and identity documents, ensuring a faster and more efficient process.

BHD

LATAM

They choose our Onboarding in APP BHD for new clients, including OCR, capture, facial and liveness.

DAVIVIENDA

LATAM

Biometrics and document reading service with OCR for SME Mobile Credit (SME Digital Onboarding) and other processes in the segment. Solution to register customers using OCR technology, as well as to visualise all transactions carried out in real time.

آفاق aafaq

EMEA

We initiated a proof of concept (POC) with Aafaq to improve onboarding of customers using a UAE ID card, optimising identity verification against government databases.

Events

Our presence at the world's most important events encourages us to continue to explore opportunities in different sectors.

MONEY 20/20
| USA | Europe | APAC

Money20/20 is the largest and most influential global financial ecosystem gathering, including banks, technology, financial services and more.

We attended the event in the US, Thailand and Europe where our team took advantage of the space to make connections with potential customers and present our solutions.

Identity Week | Amsterdam

Innovation Day IATA

Febraban | Sao Paulo

Seamless Middle East | Dubai

Revolution Banking | Madrid

América Digital | Mexico City

Digital Finance Africa
Johannesburg

Corporate culture

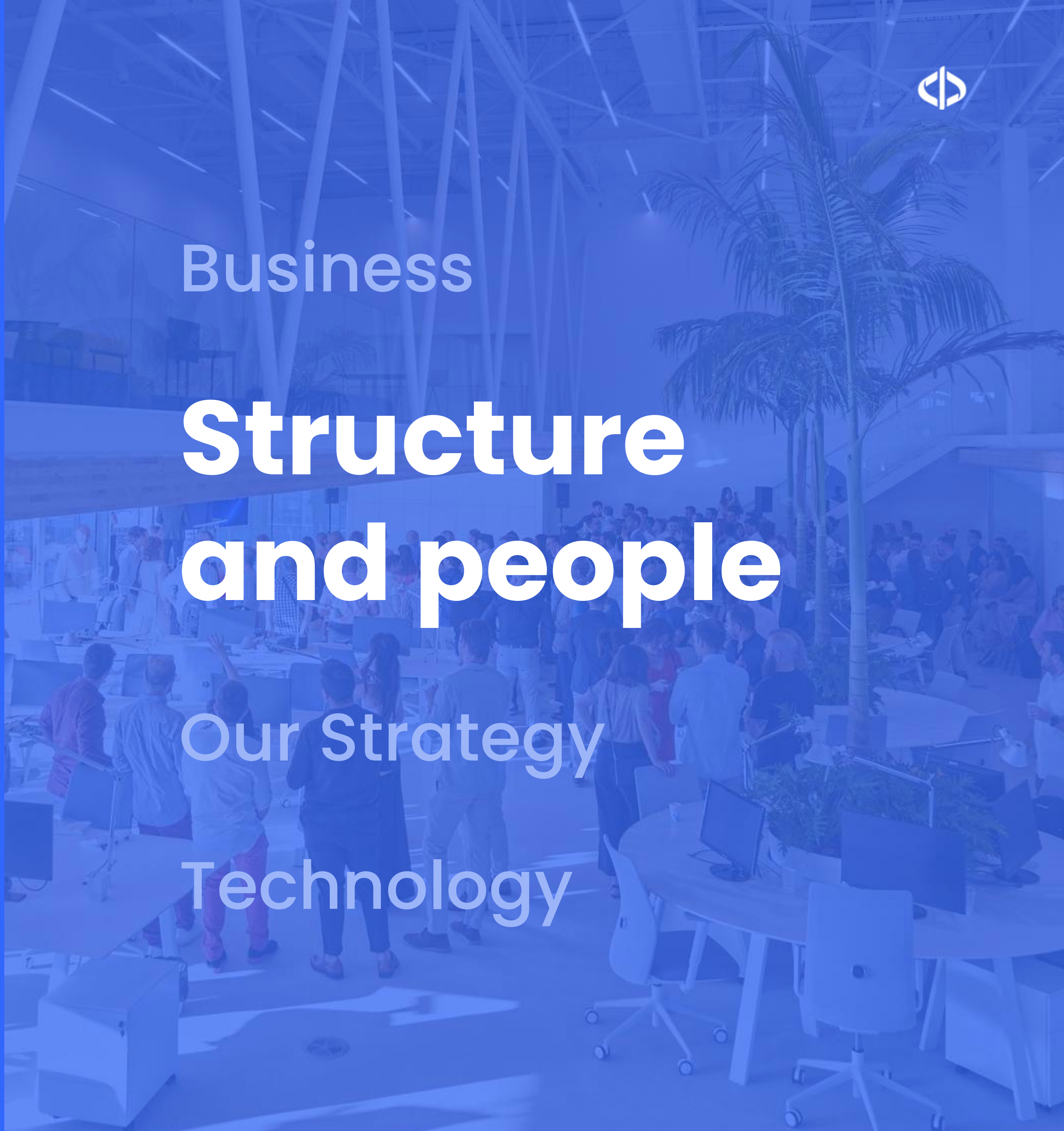
We continued to invest in the professional development and growth of our team, attracting diverse and highly skilled talent to drive our business vision and strategy.

The workforce increased by 4.5% to 233 employees at year-end.

Growth was particularly notable in our **technical team, which makes up almost 70%** of our workforce and is at the core of our company.

We are strongly committed to young talent, as the rate of incorporation into the workforce of students who carry out their internships at Facephi is 80%.

We have been awarded the **Impulso 2024 Awards**, which recognise the best innovative business initiatives of the university community.



In 2024, we have strengthened our commitment to corporate social responsibility (CSR), including close collaborations with associations such as the **Eurofirms Foundation**, **ASPANION** and the **Alicante Science Park**.

Our focus on tangible actions, aligned with the UN Sustainable Development Goals, has been evident in our activities.

With a view to creating a positive impact on our society, we celebrate the Sporphi Paddle Day by playing our team with professionals from the Spanish Federation of Sports for People with Physical Disabilities or our collaboration with training entities.

Financial Report

3

Turnover - ARR - CAPEX

Turnover

€11.7M 2024
€9.7M 2023

20% △

ARR

(Annual Recurring Revenue)

€27.4M 2024
€21.8M 2023

26% △

CAPEX

(Capital investments)
(I+D+i)

€2.4M 2024
€2.1M 2023

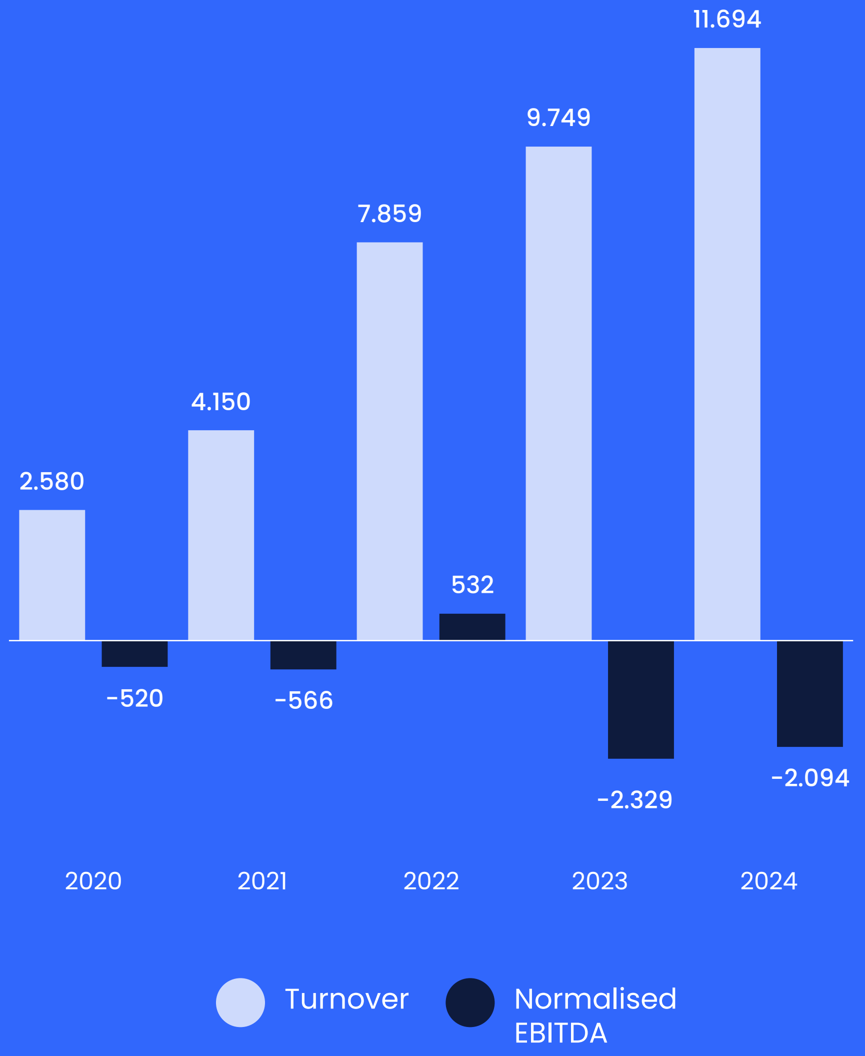
13% △

Turnover and Ebitda

Turnover grew again in the first half by 20% Year over Year, at €11.7m.

Normalized Ebitda (which excludes extraordinary expenses) improved by 10% to €2.1m compared to €2.3m in 2023, negative amounts due to the usual seasonality of revenues, with most of them falling in the second half of the year.

As usual in technology companies, growth and the acquisition of new markets, niches and customers, involves a J-effect with a previous period of huge investment and spending, where the Revenue comes later in time.



Source: Facephi
Consolidated interim financial statements reviewed by E&Y

Profit and loss (thousand)

Profit and Loss Account *(thousand €)*	January - June 2023	2024	Best / Worst (-)
Income	11,850 €	14,061 €	*19%*
Net turnover	9,749 €	11,694 €	*20.00%*
Activation of Expenditure	2,100 €	2,367 €	
Variable Costs	-4,759 €	-4,972 €	*-4%*
Procurements	-1,900 €	-2,145 €	
Other operating expenses	-2,860 €	-2,827 €	
Gross Margin (excluding Activations)	4,990 €	6,722 €	*35%*
% of turnover	*51 %*	*57%*	
Fixed Costs	-9,419 €	-11,183 €	*-18.70%*
Staff costs	-6,592 €	-7,854 €	
Other operating expenses	-2,828 €	-3,329 €	
Extraordinary Expenses	-401 €	-997 €	*-148%*
Staff costs	-16 €	-449 €	
Other operating expenses	-385 €	-548 €	
Accounting EBITDA	-2,730 €	-3,092 €	*-13%*
Normalised EBITDA	-2,329 €	-2,095 €	*10%*

The significant growth in turnover by 20% underlines the scalability and good performance of the business in a constantly evolving environment. This represents a new record turnover for the first half of the year and underlines the fruits of the strong investment made to take new projects and markets.

Investment in R&D grew by 13%, maintaining the trend of investing in internal production capacity and improving product quality, in order to enter new markets and achieve customer satisfaction and loyalty.

Variable costs show the direct costs related to sales, such as commissions and direct commercial structure, as well as the supply of biometric products incorporated in our technology. As a result of their moderate evolution, the Gross Margin increased from 51% to 57%.

Fixed costs grew by 18.7%, slightly below the growth in revenues, and is mainly due to new hiring Staff during 2023, allowing to consolidate the optimal structure.

Source: Facephi
Consolidated interim financial statements reviewed by E&Y

Balance Sheet

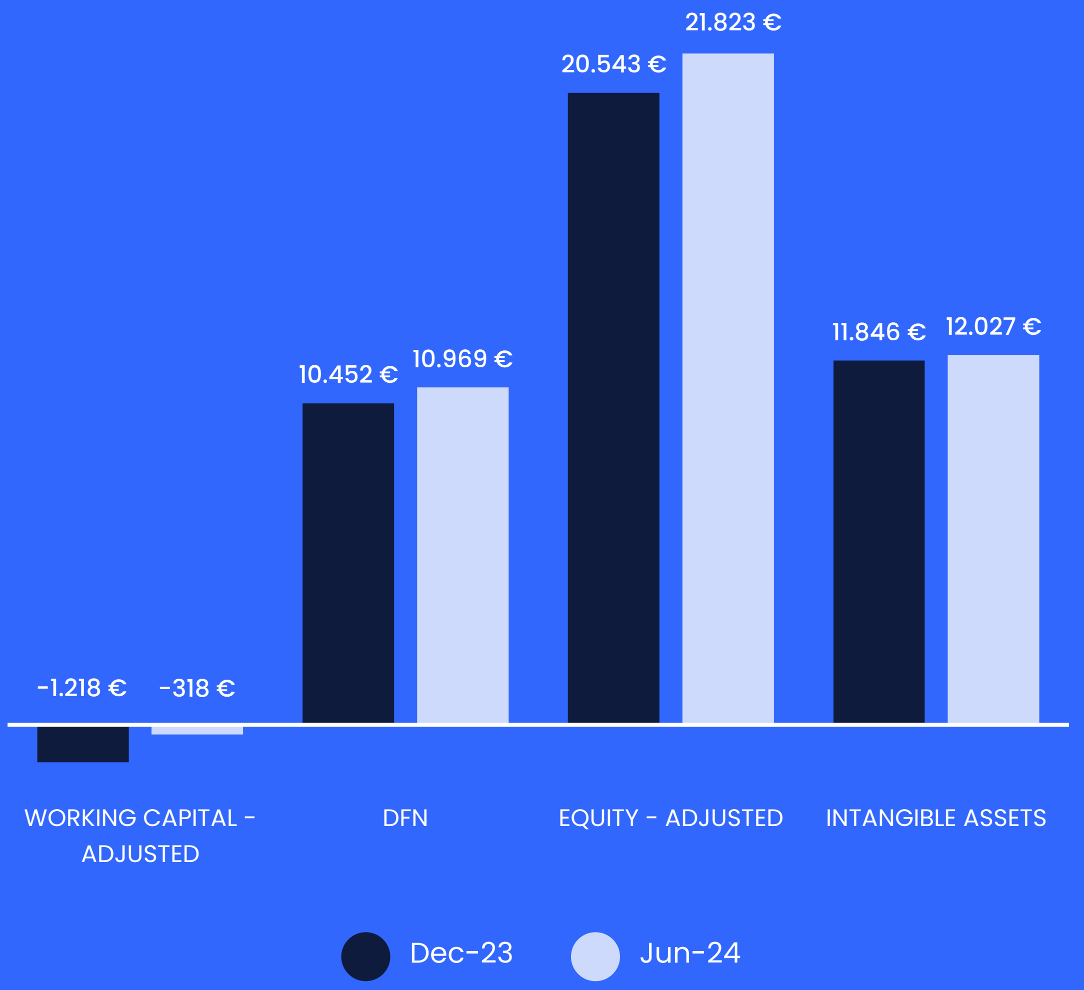
The main balance sheet indicators have improved in the first six months of 2024 in both absolute and relative terms:

1. **Equity-adjusted**: including Capital paid but pending to be formalized, has grown by €1.3 million. Capital contributions in the first half of 2024 reached €7.4 million.

2. **Working Capital-adjusted**: excluding the Capital paid but pending to be formalized and the Revenue to be allocated in the following period, and including those Deferred Tax Asset whose monetization the company expects to happen in the short term. It has improved in the first half of the year by almost €1 million and is close to breakeven.

3. **Intangible Assets**: indicator of the strong investments made over the last years, now shows a flat evolution and represents around 45% of the annual Revenue with a trend to keep going down its relative weight.

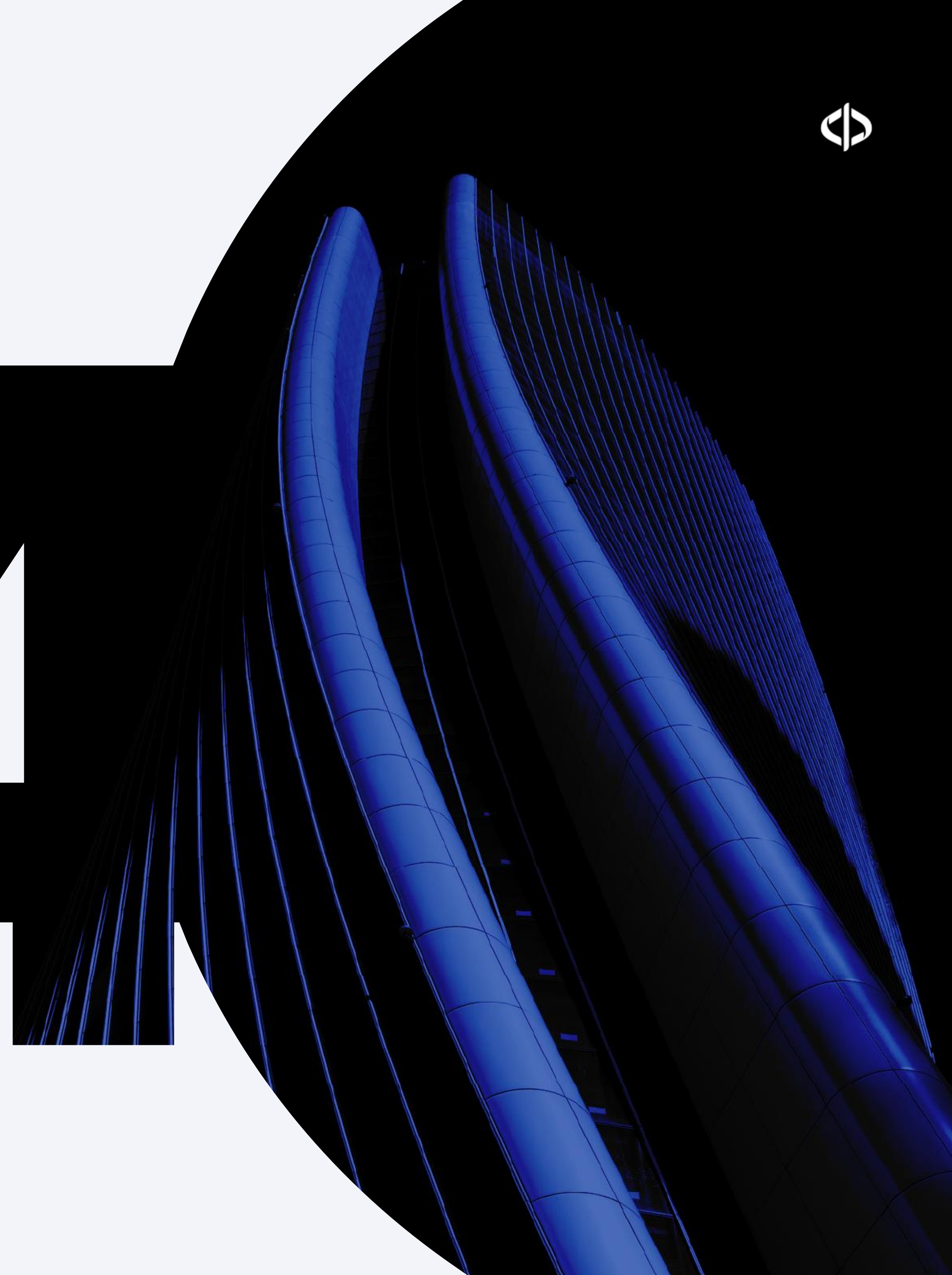
4. **Net Financial Debt**: excluding the Capital paid but pending to be formalized, it has hardly changed despite the strong growth of the business, and represents around 40% of the annual Turnover.



Source: Facephi
Consolidated interim financial statements reviewed by E&Y

4

Insights



Turnover increased in the first half of 2024, 20% more than in the same period of the previous year, continuing the sustained growth.

R&D investment was the main driver, increasing by 13% to €2.4 million, with the result in new developments.

In addition to this, there is a strong investment that reinforces the international structure of the company and the great commitment to leadership with a human team that reaches 233 employees, 70% of the workforce being technical staff.

Our new capitalisation strategy will ensure our financial stability. HANCOM's €5 million investment agreement is a key part of our expansion strategy in emerging markets such as Asia-Pacific.

We secured a more transparent capital structure that protects shareholder engagement by no longer issuing convertible bonds, backed by Nice&Green, while maintaining our financial strength and strategic direction.

The continued growth is a further sign of our strength as a company, capable of achieving new milestones in the different markets, with a solid financial base supported by the different synergies with other entities and with the capacity to end 2024 in a positive way.

facephi