



FAIRPHONE B.V.
(Amsterdam)

ANNUAL REPORT

31 DECEMBER 2024

Table of Contents

Director’s report and general information	2
Balance sheet as at December 31, 2024	12
Statement of Income and Expenses for the year ended December 31, 2024	13
Cash Flow Statement for the year ended December 31, 2024	14
Notes to the Financial Statements	15
Other information	34

FairPhone B.V.
31 December 2024



Director’s report and general information

Board of directors

R.A. van Eck
O.S. Visser

Supervisory Board

E. Blok (chair)
B. van Abel
A. Rauchfuss
E. van Galen
G. Burnier
B. Kraiem

Account Bank

ABN AMRO Bank N.V.

Auditors

RSM Netherlands Accountants N.V.
Toermalijnstraat 9,
Postbus 366,
1800 AJ Alkmaar
The Netherlands

Registered office

Van Diemenstraat 200
1013 CP Amsterdam
The Netherlands

FairPhone B.V.
31 December 2024

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Director's report and general information

The management of the company hereby presents its financial statements for the financial year ended 31 December 2024.

General information

Company's business objective

Fairphone's mission is to bring fairness to the electronics industry by making and selling modular, repairable electronics products using ethically sourced materials. Our aim is to transform the industry's 'make-use-dispose' mindset and inspire more companies to do things differently. We believe that environmental and social responsibility should be inherent in business practices across the industry.

To achieve this mission, Fairphone focuses on the following areas:

- Creating long-lasting products: Fairphone designs phones that are durable, easily repairable, and upgradable through their modular design, aiming to minimize their environmental footprint.
- Choosing fair materials: Fairphone maps its supply chains and sources fair, recycled, and responsibly mined materials. This approach addresses issues such as pollution, hazardous working conditions, and child labor within the mining industry.
- Ensuring decent work in manufacturing: Fairphone collaborates with its suppliers to enhance working conditions by ensuring fair wages, employee representation, and opportunities for growth. We are aware of the challenges associated with manufacturing in China and are committed to addressing them.
- Reducing e-waste: Fairphone champions a circular economy by promoting reuse and repair, researching recycling options, and minimizing electronic waste.

Financial and non-financial performance

Fairphone aims to demonstrate the economic viability of producing fair and sustainable phones, thereby making a sustainable impact and setting an example for the industry. To achieve this, the company strives to be financially sustainable, commercially successful, and a model for positive environmental and social impact.

The year 2024 was a pivotal year for Fairphone, as it focused on stabilizing its finances and laying the groundwork for sustained growth and success.

The company saw a 3% increase in sales volume with 103,053 Phones sold (2023: 100,107), with 76% of the volume coming from the Fairphone 5 launched late 2023. Revenues remained relatively stable compared to 2023 at €54,350,254 (2023: €54,723,920), although a new pricing strategy was introduced.

Fairphone also successfully launched its new Fairbuds in May 2024 and sold more than 6,500 units within 8 months, leading to a 21% growth in Audio products revenue. The company's primary markets were Germany (41%), the Netherlands (19%) and France (16%).

Fairphone took a cost-conscious approach and limited investments to return to a positive EBITDA. Additionally, it secured financing from existing shareholders to manage working capital challenges.

We identified an impairment trigger related to capitalised development assets which resulted in a full impairment of the related intangible fixed asset for €2,883,359.

The net result is a loss of €4,938,166, including the impairment of the capitalised development assets and an addition to the deferred tax asset for €720,687.

FairPhone B.V.
31 December 2024

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Director's report and general information

From a liquidity perspective, the company maintained a current ratio of 1.12, confirming its ability to meet its short-term liabilities. This is further supported by the strong year-end cash position and the additional €3,900,000 million in undrawn financing facilities. In terms of solvency, the debt-to-asset ratio stood at 0.92, indicating that 92% of the company's assets are financed through debt.

Greenhouse Gas (GHG) reduction: In 2024, we achieved a 48%¹ reduction in our GHG emissions. Our goal was to reduce Scope 3 emissions by 5%, focusing our efforts on emissions tied to our supply chain. For Scope 2 targets, we aimed to maintain zero emissions by using renewable energy solutions via a market-based approach. This puts us on track for our SBTi-approved Net Zero target by 2045 to reduce 90% of our absolute Scope 1, 2, and 3 emissions from the 2022 baseline.

Circularity: In 2024, 90% of all products we placed on the market were 100% e-waste neutral, covering devices like the Fairphone 4, Fairphone 5, Fairbuds, Fairbuds XL, USB-C to Mini Jack adapters, and other electronic spare parts for these products. This means that for every unit sold, an equivalent weight of electronic waste is collected and responsibly recycled. In addition, we achieved key milestones for repair and re-use: 31% of in-warranty repairs were Do-It-Yourself repairs (customers not needing to send their device to a repair center, but repairing it themselves), and our Reuse and Recycling Program achieved a reuse rate of 63% for devices collected.

Longevity: In 2024, we achieved longevity scores of 6.1 years for Fairphone 5 (target: 5 years), 6.2 years for Fairphone 4 and 5.1 years for Fairphone 3(+) (targets for both: 4.5 years), which is well beyond the average 3-year lifespan of a regular smartphone. We took steps to further enhance the usability and repairability of our products and also introduced several new initiatives to help customers extend their devices' lifespans.

Fair materials: In 2024, we launched the Fairbuds containing 69% recycled or fair materials (out of all materials). We also expanded our focus materials from 14 to 23, in line with the Fair Materials Roadmap 2030, launched in Q1 2024. We continued to innovate on integrating recycled materials and mineral credits for fair mined sources.

Fair factories: In 2024, we achieved the highest fair factory score for smartphones to date: 7 out of 8 strategic suppliers for Fairphone 5 demonstrated improvements in working conditions. For Fairphone 4, we reached 5 of 8 strategic suppliers. 100% of our tier-1 suppliers for audio products also demonstrated better conditions.

The actual scores of our impact KPIs are annually audited by ERM CVS. Their last assurance report is dated April 2025 covering our 2024 impact KPIs. We have issued our audited 2024 Impact Report on 22 April 2025 (Earth Day).

Legal structure and corporate governance

Fairphone B.V. is a standalone entity, legally represented by two managing directors either individually or jointly as the Management Board (MB).

On January 2nd, 2024, Reinier Hendriks was appointed CEO and managing director. He left the company on August 31st, 2024 and was replaced by Raymond van Eck, in service since August 12th, 2024.

On February 29th, 2024, Noud Tillemans, CFO and managing director, left Fairphone. He was replaced by Oscar Visser, who was appointed CFO and managing director on May 1st, 2024, for a 4-year term.

As of December 31, 2024 the SB members were:

- Eelco Blok (chair since 1st September 2023)
- Josephine de Zwaan
- Bas van Abel (founder of Fairphone)

¹ Total GHG emissions reduction achieved across scope 2 and 3 emissions from the base year 2022, using a market based approach.

FairPhone B.V.
31 December 2024

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Director's report and general information

Appointment of new Supervisory Board members

On January 26, 2025, further changes were made to the Supervisory Board with the appointment of Astrid Rauchfuss, Elfriek van Galen, Gustavo Burnier and Besma Kraiem, who bring valuable experience in sustainability, technology and marketing. These appointments reflect Fairphone's ongoing commitment to strong governance and strategic oversight. Josephine de Zwaan stepped down as Supervisory Board member after having served for 8 years.

The Supervisory Board (SB) and MB met 8 times in 2024.

Furthermore Fairphone had 3 Extraordinary General Meetings (EGM) with shareholders in 2024 and 1 Annual General Meeting (AGM).

Internal organization and staffing

To work towards our goals, we need talented, motivated people, working together as a team. Our team is key to achieving our company's mission. We manage to attract intrinsically motivated people that feel aligned with our mission, enjoy challenging the global consumer electronics industry, appreciate the dynamics of a scale-up and bring the right level of expertise that is required to further professionalize the company.

In 2024, the company underwent a strategic workforce adjustment to align its staff with revised activity levels. As a result, the total number of full-time employees at the Amsterdam headquarters decreased from 132 at the end of 2023 to 124 by the end of 2024.

Fairphone remains committed to fostering a diverse and inclusive workplace. The age range of employees spans from early-career professionals to seasoned experts, contributing to a multi-generational workforce. The gender mix is balanced, with 52% male and 48% female employees, and this commitment to equality is further exemplified by the 50/50% gender split within the Management Team.

The most recent Employee Pulse Survey revealed positive trends in employee engagement, satisfaction, and wellbeing at work. The overall engagement score reached 68%, indicating a high level of commitment and involvement from employees. The satisfaction score of 64% suggests that the majority of employees are content with their work environment and experience. Furthermore, the wellbeing at work score of 71% reflects the company's efforts to promote a healthy and supportive workplace culture.

The increased sickness absence rate of 9.1% in 2024, compared to 5.9% in 2023, is an area of concern that the company is actively investigating. Measures will be implemented to address any underlying issues and to support employee health and wellbeing.

Significant events

In 2024, Fairphone made significant additions to its leadership team to bolster its strategic direction and operational capabilities. Rutger Sneep was brought on board as Chief Commercial Officer on March 1st, tasked with overseeing and expanding the company's commercial activities and market reach. Chandler Hatton joined as Chief Technology Officer on November 1st. She will drive technological innovation and maintain Fairphone's competitive edge. Additionally, Ellie Lang was appointed as Head of People and Culture on October 1st, focusing on fostering a positive and productive work environment and developing Fairphone's human capital. These appointments reflect Fairphone's commitment to attracting top talent and building a strong leadership team capable of guiding the company towards continued success and growth, and eventually increasing its impact in changing the electronics industry to act more responsibly.

FairPhone B.V.
31 December 2024

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Director's report and general information

As of April 26th, 2024 Fairphone entered into a Convertible Loan Agreement with existing shareholders to facilitate extra working capital needs.

Financial information

As presented in the profit and loss account, the net result for 2024 amounted to a loss of €4,938,166 (2023: loss of €20,572,364).

To provide insight in the development of the result for 2024, on the next page an outline has been prepared based on the profit and loss account of 2024 compared to the profit and loss account of 2023. Income and expenses are also presented as a percentage of the net turnover.

Note to the reader: we present here the profit and loss statement as used in our internal reporting. This differs from the presentation of the profit and loss statement in the 'Statement of Income and Expenses for the year ended December 31, 2024' section where we present it following the legal requirements of the decree on annual accounts in the Netherlands.

	Notes	2024 €	2023 €
Net Turnover	12	54,350,254	54,723,920
Cost of goods sold	13	(36,884,881)	(47,449,328)
Gross operating result		<u>17,465,373</u>	<u>7,274,592</u>
Other operating income		7,284	74,139
Employee Cost	14	(8,800,885)	(8,811,113)
Social security contributions		(1,256,057)	(1,111,492)
Pension expenses		(314,768)	(301,234)
Amortization and depreciation		(6,859,022)	(5,998,208)
Other operating expenses	15	(5,355,109)	(11,396,756)
Total costs		<u>(22,585,841)</u>	<u>(27,618,803)</u>
Operating profit/ (loss)		<u>(5,113,184)</u>	<u>(20,270,072)</u>
Financial expenses	16	(545,669)	(302,292)
Result before tax		<u>(5,658,853)</u>	<u>(20,572,364)</u>
Tax on result	9	720,687	0
Result after tax		(4,938,166)	(20,572,364)

FairPhone B.V.
31 December 2024

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Director's report and general information

Significant risks and uncertainties

Fairphone, as a relatively small player within the consumer electronics industry, recognizes the necessity of scaling up its operations to enhance both its commercial success and its positive impact. The company has taken steps to achieve this by expanding its product portfolio beyond its initial focus on smartphones and by strengthening its organizational structure. Despite substantial investments in marketing, brand awareness remains comparatively low, posing a challenge to further growth.

To manage its financial risks, particularly those associated with currency fluctuations and potential customer default, Fairphone has implemented a factoring facility and utilizes forward rate contracts. These financial instruments provide the company with greater stability and protection against unforeseen events.

Additionally, Fairphone is actively taking measures to mitigate the risk of fraud, which can be particularly detrimental to a company of its size. By implementing robust internal controls and staying vigilant against potential fraudulent activity, Fairphone aims to safeguard its assets and maintain the trust of its stakeholders.

Overall, Fairphone is navigating the challenges and opportunities of the electronics industry with a focus on sustainable growth and responsible business practices. While brand awareness remains a hurdle, the company's strategic initiatives, financial management, and risk mitigation efforts position it for continued expansion and increased impact in the future.

Cash flow and financing requirements

The Company incurred a loss of €4,938,166 in 2024, shareholder's equity amounts to €1,887,977 per 31 December 2024, and working capital is positive at €1,956,576. Management already started in 2024 to focus on stabilizing its finances and laying the groundwork for sustained growth.

In addition to a cash position of €4,432,377 at the end of 2024, we still have €1,400,000 available to draw from the Convertible Loan Agreement signed in 2024 with shareholders, and a debtor factoring line available for up to €2,500,000 which has not been used at the end of 2024.

The company's budget for 2025 contains important investments in marketing and product developments, which will be financed by the opening of a new shareholder loan, the increase of the existing convertible loan and an increase of our debtor factoring line. The commitments for this financing have already been secured. With these additional funds, Fairphone is financed sufficiently for at least the coming 12 months..

The future

The European smartphone market is currently experiencing a phase of limited growth, primarily driven by replacement purchases rather than new customer acquisition. This landscape is dominated by major players who dictate technological advancements, leaving smaller companies like Fairphone with minimal room to differentiate themselves based solely on technical features.

Fairphone's unique selling proposition lies in its commitment to social and environmental responsibility. This mission-driven approach justifies its relatively slightly higher cost base and is crucial for maintaining its "license to operate" in the competitive market.

To achieve sustainable growth, Fairphone will expand its addressable market by appealing to a broader consumer base with a compelling value proposition, by launching a new Smartphone in 2025 amongst others. We're adjusting our customer messaging to emphasize that our products offer both sustainability and excellent quality, meeting consumer expectations. This rebrand aims to refine and expand our target audience. We believe commercial growth, driven by competitive pricing and quality alongside our ethics, is key to scaling our impact and challenging the industry.

FairPhone B.V.
31 December 2024

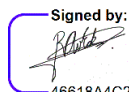
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Director's report and general information

Our commitment remains to long-lasting, repairable products with strong software support, ensuring sustainability without compromising performance or design. By effectively communicating this message and delivering on its promise, Fairphone can capture a larger market share and position itself for sustainable growth in the competitive European smartphone market.

Amsterdam, June 20, 2025

The Management Board,

Signed by:

46618A4C2378460...
CEO & Managing Director
R.A. van Eck

Signed by:

69637C5D2ED0459...
CFO & Managing Director
O.S. Visser

Fairphone B.V.
31 December 2024

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Balance sheet as at December 31, 2024

<i>(Before appropriation of result)</i>	Notes	31 December 2024	31 December 2023
		€	€
Assets			
Fixed assets			
Intangible fixed assets	1	3,174,924	6,172,456
Tangible fixed assets	2	471,193	750,755
Financial fixed asset	9	3,557,303	2,836,617
Total fixed assets		7,203,420	9,759,829
Current assets			
Inventory	3	7,872,886	19,281,965
Receivables	4	5,447,602	6,995,816
Cash and cash equivalents	5	4,432,377	4,888,196
Total current assets		17,752,865	31,165,977
Total assets		24,956,285	40,925,805

Fairphone B.V.
31 December 2024

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Statement of Income and Expenses for the year ended December 31, 2024

	Notes	31 December 2024	31 December 2023
Shareholders' equity			
Share Capital		1,277	1,277
Share Premium		41,241,904	41,241,765
Other legal reserves		2,360,589	5,354,515
Other reserves		(36,777,627)	(19,200,178)
Undistributed result		(4,938,166)	(20,572,364)
Total shareholders' equity	6	1,887,977	6,825,014
Provisions	11	4,574,193	11,169,985
Non-Current liabilities	8	3,127,273	600,000
Current liabilities	7	15,366,842	22,330,806
Total shareholders' equity and liabilities		24,956,285	40,925,805

Fairphone B.V.
31 December 2024

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Statement of Income and Expenses for the year ended December 31, 2024

	Notes	2024	2023
		€	€
Net turnover	12	54,350,254	54,723,920
Change in inventory of finished goods		(10,502,821)	7,212,616
Other operating income		7,284	74,139
Total operating income		43,854,717	62,010,675
Raw materials and consumables	13	(23,477,842)	(39,984,761)
Other external charges	13	(2,904,218)	(14,677,183)
Wages and salaries	14	(9,115,653)	(9,112,348)
Social security costs		(1,256,057)	(1,111,492)
Amortization and depreciation		(6,859,022)	(5,998,208)
Other operating expenses	15	(5,355,109)	(11,396,756)
Total operating expenses		(48,967,901)	(75,068,131)
Interest expenses and similar charges		(545,669)	(302,292)
Result before taxation		(5,658,853)	(20,572,364)
Taxation	9	720,687	0
Net result for the year		(4,938,166)	(20,572,364)

Fairphone B.V.
31 December 2024

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Statement of Income and Expenses for the year ended December 31, 2024

**Cash Flow Statement for the year
ended December 31, 2024**

	2024	2023
Cash flow from operating activities		
Operating profit/ (loss)	(5,113,184)	(20,270,072)
Adjustments for:		
Depreciation, amortization and other impairments	6,859,022	5,998,208
Movement in provisions	(6,595,792)	7,484,920
Accrued interest	(212,333)	0
Movement in working capital:		
Inventory	11,409,079	(3,740,413)
Receivables	1,548,214	(3,831,672)
Liabilities	(3,640,540)	6,135,352
	<u>9,316,753</u>	<u>(1,436,733)</u>
Cash generated from operations	<u>9,367,650</u>	<u>12,046,395</u>
Corporate income tax paid	(27,147)	0
Interest paid and bank charges	(331,195)	(41,397)
	<u>(358,342)</u>	<u>(41,397)</u>
Net cash generated from operating activities	<u>3,896,124</u>	<u>(8,265,073)</u>
Cash flow from investment activities		
Investment in intangible fixed assets	(3,288,451)	(6,205,357)
Investment in tangible fixed assets	(267,341)	(648,171)
Net cash generated from investment activities	<u>(3,555,792)</u>	<u>(6,853,528)</u>

Cash flow from financing activities

Fairphone B.V.
31 December 2024

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Statement of Income and Expenses for the year ended December 31, 2024

Receipts from issuance of share capital (net)	0	16,505,786
Receipts from new debts and accrued interest	2,527,273	0
Loan and interest repayment	(3,323,424)	(116,273)
Net cash generated from financing activities	(796,151)	16,389,513
Net increase/ decrease in cash and cash equivalents	(455,819)	1,270,912
The movement in cash and cash equivalents can be broken down as follows:		
Balance as at 1 January	4,888,196	3,617,284
Movements during the financial year	(455,819)	1,270,912
Balance as at 31 December	4,432,377	4,888,196

Fairphone B.V.
31 December 2024

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Notes to the Financial Statements

A. General

Incorporation

The Company was incorporated on July 2, 2015, and has since 1 March 2022 its registered office at van Diemenstraat 200, 1013 CP Amsterdam, the Netherlands. The Company's Chamber of Commerce registration number is 55901964.

Structure of operations

The Company is a social enterprise that is building a movement for fairer electronics. The Company's activities consist mainly of the production of and trade in electronic goods and electronic components. Sales take place both domestically and internationally, whereby the countries of the European Union are the most important markets.

Going concern

The Company incurred a loss of €4,938,166 in 2024, shareholder's equity amounts to €1,887,977 per 31 December 2024, and working capital is positive at €1,956,576. Management already started in 2024 to focus on stabilizing its finances and laying the groundwork for sustained growth. This resulted in securing funding through a new Convertible Loan Agreement.

In addition to a cash position of €4,432,377 at the end of 2024, we still have €1,400,000 available to draw from the Convertible Loan Agreement signed in 2024 with shareholders, and a debtor factoring line available for up to €2,500,000 which has not been used at the end of 2024.

The company's budget for 2025 contains important investments in marketing and product developments, which will be financed by the opening of a new shareholder loan, the increase of the existing convertible loan and an increase of our debtor factoring line. For a detailed description on the attracted funding, reference is made to the subsequent events disclosure note. With these additional funds, Fairphone is financed sufficiently for at least the coming 12 months..

There are no specific events or conditions that cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it should be unable to realize its assets and discharge its liabilities in the normal course of business.

The accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements are based on the assumption of going concern.

Estimates

In applying the principles and policies for drawing up the financial statements, the directors of the Company make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary to provide the transparency required under Book 2, article 362, paragraph 1, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

B. Significant accounting policies

Financial Reporting period

These financial statements have been prepared for a reporting period of one year.

Basis of preparation

These financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code and in accordance with Dutch Accounting Standards.

Fairphone B.V.
31 December 2024

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Notes to the Financial Statements

The assets, liabilities, equity and the determination of the results have been prepared on the historical cost basis unless otherwise stated.

Foreign currencies

The financial statements are denominated in Euro (EUR), which is the functional and presentation currency of the Company.

Foreign currency transactions in the reporting period are translated to the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities, denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and the translation at year-end exchange rates are recognised in the statement of income and expenses.

Non-monetary assets valued at historical cost in a foreign currency are converted at the exchange rate on the transaction date. Non-monetary assets valued at fair value in a foreign currency are converted on the date on which the fair value was determined.

The year-end closing exchange rates used for translation purposes are as follows:

	<u>31/12/2024</u>	<u>31/12/2023</u>
GBP	0.8292	0.8691
USD	1.0389	1.1050

Operating lease

The company may have lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of nor incurred by the company. The lease contracts are recognised as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the income statement for the duration of the contract.

Significant accounting policies in respect of the valuation of assets and liabilities

Intangible fixed assets

Research and development

Research expenditures are recognised as expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the company are recognised as intangible assets when the following criteria are fulfilled:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale.
- Management intends to complete the intangible asset and use or sell it.
- There is an ability to use or sell the intangible asset.
- It can be demonstrated how the intangible asset will generate probable future economic benefits.
- Adequate technical, financial and other resources to complete development and use or sell the intangible asset are available.
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Notes to the Financial Statements

A legal reserve has been recognised within equity concerning the recognised development costs for the capitalised amount. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its estimated useful life (between two and three years, depending on the asset group). Intangible assets not ready for use are tested for impairment at least annually.

Amortisation of development costs are included in the depreciation and amortisation line in the statement of income and expenses. All development costs arose from internal and external development (excluding internal Wages and salaries).

Computer software

Acquired computer software licenses are capitalised based on the costs incurred to acquire and use the specific software. These costs are amortised straight-line over their estimated useful lives of three years.

Costs associated with developing or maintaining computer software programmes are recognised as expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company, that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Tangible fixed assets

Property, plant and equipment comprise mainly leasehold improvements, IT equipment and phone tooling. All property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance charges are expensed in the financial period in which they are incurred. Depreciation is calculated using the straight-line method to allocate their cost of the assets to their residual values over their estimated useful lives as follows:

- Leasehold improvements	5 years
- IT equipment	5 years
- Phone tooling	2 years
- Furniture and fittings	2 years

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. Gains and losses are included in the statement of income and expenses.

Impairment of fixed assets

On each balance sheet date, the Company assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the realisable value of the asset is determined. If it is impossible to determine the realisable value of the individual asset, the realisable value of the cash-generating unit to which the asset belongs is determined.

Fairphone B.V.
31 December 2024

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Notes to the Financial Statements

Impairment occurs when the carrying amount of an asset is higher than the realisable value. The realisable value is the higher of the realisable value and the value in use. An impairment loss is directly recognised in the income statement while the carrying amount of the asset concerned is concurrently reduced.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognised in the income statement.

Financial fixed assets

Deferred taxes are stated at nominal value. Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits, limited to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realized or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

Inventories

Inventories (stocks) are valued at historical price or production cost based on the FIFO method (first-in, first-out) or lower realisable value.

The historical cost or production cost consists of all costs relating to the acquisition or production and the costs incurred to bring the inventories to their current location and current condition.

The realisable value is the estimated sales price less directly attributable to sales costs. In determining the realisable value the obsolescence of the inventories is taken into account.

Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provisions for doubtful debt. All receivables included under current assets are due in less than one year. The fair value and amortized cost equal the face value. Provisions deemed necessary for possible bad debt losses are deducted. These provisions are determined by individual assessment of the receivables.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, current balances with banks and deposits with terms of less than twelve months. Overdrafts at banks are recognised as part of debts to lending institutions under current liabilities. Cash at banks and in hand is carried at nominal value.

Provisions

General

Provisions are measured at the best estimate of the amount that is necessary to settle the obligation as per the balance sheet date. Pension provisions are valued based on actuarial principles. The other provisions are carried at the nominal value of the expenditure that is expected to be necessary to settle the obligation unless stated otherwise.

Fairphone B.V.
31 December 2024

fairphone

Notes to the Financial Statements

Provision for warranties

The provision for warranties is recorded based on the estimated expected cost to arise from the current warranties given on account of goods sold and services delivered. Warranty claims are deducted from this provision.

Provision for royalties

The provision for royalties is recorded based on the estimated expected cost to arise from the intellectual property royalties given on account of goods sold and services delivered. Royalty claims are deducted from this provision.

Software maintenance

We have recognized a provision to cover the expected cost of future software maintenance and security updates relating to Fairphone devices sold, in line with our sales promise on longevity, in which we will provide software support for 5 years representing a constructive obligation between the company and its clients.

Onerous contracts

An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract are the lower of the cost of fulfilling the contract (relating directly to the contract), and penalties or obligations arising from failure to fulfill it. Fairphone reviews its unavoidable obligations for contracts that are onerous and if these exist, the present obligation under the contract is recognised and measured as a provision. Prior to the recognition of a provision for an onerous contract, we recognise any impairment loss that has occurred on assets related to that contract.

The amount accrued in the onerous contract provision in 2023 was mostly paid out, the rest was released in the 2024.

Long-term liabilities

Loans from third parties

On initial recognition, long term debts are recognised at fair value. Transaction costs which can be directly attributed to the acquisition of the long-term debts are included in the initial recognition. After initial recognition long-term debts are recognised at the amortised cost price, being the amount received taking into account premiums or discounts and minus transaction costs.

The difference between stated book value and the mature redemption value is accounted for as interest cost in the income statement based on the effective interest rate during the estimated term of the long-term debts.

Current Liabilities

On initial recognition, current liabilities are recognised at fair value. After initial recognition, current liabilities are recognised at the amortised cost. All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to its short term character.

Fairphone B.V.
31 December 2024

fairphone

Notes to the Financial Statements

Significant accounting policies in respect of result determination

Result

Profits and losses on transactions are recognised in the year they relate to. Expenses are recognised when obligations are incurred.

Revenue recognition

General

Net turnover comprises the income from the supply of goods and services after deduction of discounts and such like and of taxes levied on the turnover.

Sales of goods

Revenues from the goods supplied are recognised when all significant risks and rewards for the goods have been transferred to the buyer.

Other operating income

Other operating income results are recognized which are not directly linked to the supply of goods or services as part of the normal, non-incidental operations.

Operating expenses

In line with legal requirements around the presentation of the statement of income and expenses, the operating expenses contain the costs of raw materials and consumables, wages, salaries and social security costs, amortisation of fixed assets and other external and operating charges. All these costs are chargeable in the year they occur.

Employee benefits

Short-term Wages and salaries

Salaries, wages and social security contributions are charged to the income statement based on the terms of employment, where they are due to employees and the tax authorities respectively.

Pensions

Fairphone B.V. operates a defined contribution pension scheme for its managing directors and employees. The premium payable during the financial year is charged to the result. The coverage of this pension scheme includes old-age pension, partner and orphans pension. The coverage also included continuous payment of premium in case of disability.

Share-based payment

The company operates a share-based compensation plan for its employees, which consists of an Employee Stock Option Plan (ESOP) as approved during the AGM 2020 and is classified as an equity-settled share option plan.

Share options granted to employees are measured at the net asset value of the equity instruments granted.

Since the company is not publicly listed, there is no active trading, and an actual share price derived from sales and demand is not available, management judges that the most appropriate valuation method is to use the equity value of the company per share in the most recent financing or investment round less the exercise price to determine the net asset value of the share options. The value is determined at the grant date, and recognised employee services received in exchange for the grant recognised as an expense.

Fairphone B.V.
31 December 2024

fairphone

Notes to the Financial Statements

At each balance sheet date, the Company revises its estimates of the number of awards that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the statement of income and expenses and for the equity-settled plan a corresponding adjustment to equity.

Government grants

Grants from the government are recognised at their fair value when there is a reasonable assurance that the grant will be received. The company will follow all conditions.

Operating grants:

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate for.

Investment grants:

Government grants relating to intangible assets are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets

Financial income and expense

Interest income and interest expenses

Interest income and expenses are recognised on a pro-rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate. In accounting for interest expenses, the recognised transaction expenses for loans received are taken into consideration.

Currency translation differences

Currency translation differences arising upon the settlement or conversion of monetary items are recognised in the income statement in the period that they are realized unless hedge accounting is applied.

Income tax

Tax on the result is calculated based on the result before tax in the income statement, taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets) and exempt profit components and after the addition of non-deductible costs. A due account is also taken of changes which occur in the deferred tax assets and deferred tax liabilities in respect of changes in the applicable tax rate.

Related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control the Company are considered to be a related party. Also, statutory directors, other key management of Fairphone B.V. or the ultimate parent company and close relatives are regarded as related parties.

Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. Nature, extent and other information are disclosed if this is necessary to provide the required insight.

Accounting policies for the cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise cash at banks and in hand except for deposits with a maturity longer than three months. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates.

Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognised as cash



Notes to the Financial Statements

used in financing activities. Transactions not resulting in inflow or outflow of cash are not recognised in the cash flow statement.

C. Financial instruments, risk management and hedging

General

The Company’s activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and price risk), credit risk and liquidity risk.

Risk management is carried out by the Finance team under policies approved by the Management Board. The Finance team evaluates and covers financial risks in close cooperation with the Company’s operations teams. The board provides principles for overall risk management, and written policies covering specific areas such as foreign-exchange risk, interest rate risk and credit risk.

Currency risk

The group operates internationally and is exposed to foreign exchange risk primarily to the US dollar and Great British Pounds. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. As far as possible commercial contracts are closed in Euros. There are a limited number of non-euro denominated contracts, with the most significant being the design and development service agreement with the company’s product manufacturer, being denominated in US dollars. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity’s functional currency.

2024	GBP	USD
Cash and cash equivalents	664,855	3,191,977
Trade payables	-	10,122,560

Credit risk

The Company is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. The Company does not have significant credit risk concentrations and is limited to outstanding trade receivables, cash and cash equivalents. In 2024, losses were recognised after the bankruptcy of one client, corresponding to 0,4% of the yearly turnover of the company. At year-end, the largest single client exposure consisted of 24% of the outstanding trade receivables, and we don’t foresee any risk to recover these outstanding items. Sales are subject to payment conditions varying between payments in advance and 0 to 45 days after the invoice date.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations towards the creditors as they become due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

As at the end of 2024, the Company still has €1,400,000 available to draw from a shareholder convertible loan and a debtor factoring line with ABN Amro of €2,500,000, not drawn at the end of the year. Management monitors monthly rolling forecasts of the company’s cash and cash equivalents based on actual results and expected cash flow.

Notes to the Financial Statements

D. Critical accounting estimates and judgements

Application of the accounting policies in the preparation of the financial statements requires the management of the Company to exercise Judgment involving assumptions and estimates concerning future results or other developments, including the likelihood, timing or amount of future transactions or events. There can be no assurance that actual results will not differ materially from those estimates. Accounting policies that are critical to the financial statement presentation and that require complex estimates or significant Judgment is described below.

Share-based payments

Since the company is not publicly listed, there is no active trading, and an actual share price derived from sales and demand is not available, management judges that the most appropriate valuation method is to use the equity value of the company per share in the most recent financing or investment round less the exercise price to determine the net asset value of the share options. The value is determined at the grant date, and recognised employee services received in exchange for the grant recognised as an expense. For share-based payments, the company recognises an expense over the vesting period. At each balance sheet date, the Company revises its estimates of the number of awards that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the statement of income and expenses and for the equity-settled plan a corresponding adjustment to equity.

Valuation of assets

To perform impairment tests we must calculate the value in use of certain assets. To do this cash flow projections are used which contain various judgments and estimations. For tangible and intangible fixed assets, estimates are also required to determine the (remaining) useful lives.

Provisions

The recognition of provisions requires Fairphone to make estimates and assumptions regarding the timing and the amount of outflow of resources, and the likelihood of a potential outflow of resources.

Effective in 2024, the company modified the calculation criterion for its software provision, applying a new approach considered more representative of its actual obligations.

The revised approach differentiates between software upgrades and essential security updates, the provision now solely covers the predictable costs of providing essential security updates.

This change in accounting estimate has resulted in a decrease in the required provision for the current fiscal year. It is anticipated that this will lead to a trend of a reduced provision in upcoming years, with the future liability being primarily dependent on internal factors such as the supported lifespan of devices and software maintenance costs.

1. Intangible fixed assets

Total intangible assets	Research and Development	Software	Rebranding	Total
Costs as at 31.12.23	21,857,269	1,343,356	0	23,200,625
Accumulated amortization	(16,502,754)	(525,414)	0	(17,028,168)
Book value 31.12.23	5,354,515	817,942	0	6,172,457
Additions	2,801,094	260,111	227,246	3,288,451
Amortization and impairment	(5,795,020)	(490,963)	0	(6,285,983)
Balance	(2,993,926)	587,090	227,246	(2,179,590)

Fairphone B.V.
31 December 2024

fairphone

Notes to the Financial Statements

Costs as at 31.12.24	24,658,363	1,603,467	227,246	26,489,076
Accumulated amortization and impairment	(22,297,774)	(1,016,377)	0	(23,314,151)
Book value 31.12.24	2,360,589	587,090	227,246	3,174,925

Research and Development	Smartphones	Accessories	Total
Costs as at 31.12.23	21,421,524	435,745	21,857,269
Accumulated amortization	(16,381,063)	(121,691)	(16,502,754)
Book value 31.12.23	5,040,461	314,054	5,354,515
Additions	2,637,429	163,665	2,801,094
Amortization	(2,778,329)	(205,872)	(2,984,201)
Impairment	(2,810,819)	0	(2,810,819)
Balance	2,088,742	271,847	(2,993,926)
Costs as at 31.12.24	24,058,953	599,410	24,658,363
Accumulated amortization and impairment	(21,970,211)	(327,563)	(22,297,774)
Book value 31.12.24	2,088,742	271,847	2,360,589

Development costs

All development costs relating to Fairphone 3, Fairphone 3+ and Fairphone 4 have been fully amortized as at 31 December 2024.

During the year management identified an indicator of impairment for the Fairphone 5 development asset due to the lifetime sales of the device being significantly lower than management's forecast. An impairment test was performed which showed that the value in use of the development asset fell below its carrying amount. The value in use was estimated using the future cash flows expected to be generated from the development asset. As a result, the remaining carrying value of the asset was impaired resulting in a €3,120,093 charge which was recognised in the Amortisation and depreciation line of the Statement of Income and Expenses. No other indicators of impairment were identified.

Software

Software costs relate to the cost of licenses for acquired software and development work required to implement these software systems. Management has reviewed the costs and believes these costs meet the requirements to be capitalized. Management did not identify any triggers for impairment.

Fairphone B.V.
31 December 2024

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Notes to the Financial Statements

2. Tangible fixed assets

Tangible fixed assets consist of:

	Leasehold improvements	ICT Equipment	Furniture and fittings	Phone tooling	Total
Costs as at 31.12.23	207,199	381,428	83,152	2,327,886	2,999,665
Accumulated amortization	(65,715)	(231,668)	(74,325)	(1,877,202)	(2,248,910)
Book value 31.12.23	141,484	149,760	8,827	450,684	750,755
Additions	0	44,115	0	223,226	267,341
Amortization	(48,914)	(49,521)	(2,974)	(445,493)	(546,902)
Balance	92,570	144,354	5,853	228,417	471,194
Costs as at 31.12.24	207,199	425,543	83,152	2,551,112	3,267,006
Accumulated amortization	(114,629)	(281,189)	(77,299)	(2,322,695)	(2,795,812)
Book value 31.12.24	92,570	144,354	5,853	228,417	471,194

3. Inventory

Inventory consists of:

	2024	2023
	€	€
Finished products and goods for resale	11,781,614	22,284,435
Prepayments on inventory	167,685	59,665
Packing materials	119	232
Goods in transit	213,995	8,875
Less: Provision of obsolete stock	(4,290,527)	(3,071,241)
	7,872,886	19,281,965

The addition to the provision for obsolete stock is included in the cost of goods sold in the profit and loss statement.



Notes to the Financial Statements

4. Receivables

Receivables consist of the following:

	2024	2023
	€	€
Trade receivables	3,302,135	5,377,001
Value added tax	168,353	148,662
Other receivables	1,977,114	1,565,153
Less: Provision for bad debt	0	(95,000)
	5,447,602	6,995,816

The fair value of the current assets approximates the book value due to its short term character.

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	2024	2023
	€	€
Abn Amro – current accounts	4,060,779	3,738,223
Payment service providers – current account	144,034	556,030
Payment service providers – short term deposit accounts	227,565	593,943
	4,432,378	4,888,196

Cash and cash equivalents are at the Company’s free disposal.

On 31 December 2024, the company had 11 forward contracts opened, with an effective date in 2025, and a total value of USD 6,000,000 or €5,714,286. The fair value of these contracts on 31 December 2024 with an exchange rate of 1.0389 is €5,775,339, which would give a negative impact of €61,054.

Fairphone B.V.
31 December 2024

fairphone

Notes to the Financial Statements

6. Shareholders equity

€	Share Capital	Share Premium	Legal reserves	Other reserves	Undistributed result	Total
Balance as at 01.01.23	706	22,322,216	5,020,719	(18,261,077)	44,007	9,125,865
<u>Movements</u>						
Result appropriation	0	0	0	44,007	(44,007)	0
Funding transaction	571	18,919,549	0	(649,312)	0	18,270,808
Result for financial year	0	0	0	0	(20,572,364)	(20,572,364)
Allocation to legal reserve	0	0	333,796	(333,796)	0	0
Balance as at 01.01.24	1,277	41,241,765	5,354,515	(19,200,178)	(20,572,364)	6,825,015
<u>Movements</u>						
Result appropriation	0	0	0	(20,572,364)	20,572,364	0
Funding transaction	0	0	0	0	0	0
Result for financial year	0	0	0	0	(4,938,166)	(4,938,166)
Other movements	0	139	(2,993,926)	2,994,915	0	1,128
Balance as at 31.12.24	1,277	41,241,904	2,360,589	(36,777,627)	(4,938,166)	1,887,977

The authorised share capital of Fairphone B.V. amounts to €1277, divided into 12,771,347 class A shares of € 0.0001.

The movement in number of shares can be specified as follows:

	A Shares	B Shares	D Shares	Total
Balance as at 01.01.2024	12,771,347	0	0	12,771,347
<u>Movements</u>				
Issue of ordinary shares	1,442,001	0	0	1,442,001
Adjustment of nominal value	0	0	0	0
Conversion of ordinary shares	0	0	0	0
Repurchase and cancellation of preference shares	0	0	0	0
Balance as at 31.12.2024	14,213,348	0	0	14,213,348

Legal reserve

The legal reserves are recognised in connection with capitalised development costs of €2,360,589 (2023: €5,354,515).

Appropriation of Result

During the period under review, no dividends were distributed out of the Company's retained earnings. The managing directors propose to allocate the net profit for the year 2024 to the retained earnings. This proposed appropriation of profit has been reflected in the Company's balance sheet per December 31, 2024.



Notes to the Financial Statements

Employee Stock option plan

During 2024, management offered employee stock options to the value of €162,397 (2023: €301,163).

7. Liabilities

	2024	2023
	€	€
Subordinated loans	0	3,323,424
Convertible loan	1,481	1,481
	1,481	3,324,905

The subordinated loan is a shareholder loan, with no securities attached to it.

Repayment obligations falling due within 12 months from the end of the financial year, as set out above, are included in current liabilities.

	2024	2023
	€	€
Short term debt	1,481	3,324,905
Trade payables	9,082,209	11,641,691
Taxes and other social security charges	2,466,871	2,456,739
Value added tax	1,111,595	1,419,810
Other payables	1,995,686	2,459,443
Co-op reserve	709,000	1,028,217
	15,366,842	22,330,806

The fair value of the current liabilities approximates the book value due to its short term character. The total amount of wage tax due at year end amounted to €1,009,238 (2023: €1,103,558).

Co-op reserve

The Co-Op reserve, used to fund sales partner marketing activities, is accrued based on the difference between agreed trade margin and maximum trade margin per device sold. Sales partners invoice Fairphone after completing agreed activities. Management annually reviews the Co-Op reserve to ensure accrual is sufficient.

Living wage bonus

Most smartphones are manufactured in China, and the country's fast, affordable production comes at the cost of their workers. As a social enterprise, we wanted to improve job satisfaction and working conditions at the heart of the electronics sector, including health and safety, worker representation, income, working hours and growth opportunities. We believe that long-term relationships are the foundation for good working conditions. We work closely with selected suppliers to assess the current situation, uncover the underlying issues and take a collaborative approach to improvement.

Fairphone B.V.
31 December 2024

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Notes to the Financial Statements

8. Non Current Liabilities

Start balance per 01-01-2024	600,000
Repayment	-600,000
Reclass from short-term	429,447
Receipts	2,600,000
Interest	212,333
Transactional costs	-114,563
End balance per 31-12-2024	<u>3,127,217</u>

The company's non-current liabilities primarily consist of the Convertible Loan Agreement dated April 26, 2024, including accrued interest.

From the total available under this agreement, an amount of €2,600,000 has been drawn. This loan matures in the year 2027 and accrues interest at an annual rate of 12%. According to the terms of the agreement, the interest accrued is capitalized annually and is payable in full together with the principal at the maturity date.

The movement schedule is:

	Notional	Interest Rate	Interest	Outstanding Notional	Closing Balance
2024	2,600,000	12%	212,333	2,600,000	2,812,333
2025	2,600,000	12%	337,480	2,600,000	3,149,813
2026	2,600,000	12%	377,978	2,600,000	3,527,791
2025	2,600,000	12%	105,834	2,600,000	3,633,625
Total	2,600,000		377,978		4,011,602

The company has selected to defer the amount due to the tax authorities (*Belastingdienst*), as part of a relief given by the Dutch authorities due to COVID-19.

9. Financial fixed asset

Income tax is calculated at the applicable tax rate (25,8%) on the result before tax, which includes any fiscal adjustments. Fiscal adjustments are the result of using a different fiscal amortisation and depreciation rate when calculating the result before tax. The taxable result was - € 5.186.465.

Deferred tax asset	2024	2023
	€	€
Balance as at 01.01.2023	2,836,117	2,836,117
Income tax	0	0
Increase	720,687	0



Notes to the Financial Statements

Balance as at 31.12.2024	3,556,804	2,836,117
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Deferred income tax
A deferred tax asset is recognised for unused tax losses. Management’s financial projections support the assumption that it is probable that the Company will generate sufficient future taxable income to utilize these losses. .The deferred tax asset includes temporary differences of €1.572.000 (2023: €1,807,716).

10. Assets and liabilities not recognised in the balance sheet (Contingent liabilities and assets)

Rental obligations
Fairphone B.V. has a tenancy agreement with the new landlord for the location Van Diemenstraat 200, Amsterdam 1013CP. This lease is for the period from December 31, 2020 until June 30, 2026. The annual rent obligation till December 31, 2024 is € 427,696 and will be indexed annually.

Obligations to pay:	2024 €
Within one year	427,696
Between one and two years	681,668
	1,109,364

Contingent Assets
No contingent assets are known as per year–end 2024..

Liabilities not recognised
The Company may have lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of nor incurred by the company. The lease contracts are recognised as operational leasing. Lease payments are recorded on a straight–line basis, taking into account reimbursements received from the lessor, in the income statement for the duration of the contract.

Securities
Fairphone has signed a convertible loan agreement with its main shareholders on April 26, 2024. This agreement includes rights of pledge on the receivables, inventory and intellectual property. A first tranche of €2,600,000 was drawn from this agreement in 2024.



Notes to the Financial Statements

11. Provisions

Provisions consist of:

	Remaining		Remaining term >	
	term > 1 year		2023	1 year
	2024	€	€	€
Warranty	487,491	330,921	1,304,957	891,764
Royalties	1,457,990	1,174,920	1,995,697	1,571,379
Software maintenance	2,628,712	1,751,799	2,545,168	1,911,899
Onerous contract	0	0	5,324,162	0
	4,574,193	3,257,639	11,169,985	4,375,042

	Warranty	Royalties	Software maintenance	Onerous Contract	Total
Balance as at 01.01.2024	1,304,957	1,995,697	2,545,168	5,324,162	11,169,984
Additions	1,136,595	1,511,241	2,092,292	0	4,740,128
Utilization	(671,873)	(1,340,070)	(2,008,748)	(3,824,162)	(7,844,853)
Release	(1,282,188)	(708,877)	0	(1,500,000)	(3,491,065)
Balance as at 31.12.2024	487,491	1,457,991	2,628,712	0	4,574,194

Fairphone B.V.
31 December 2024

fairphone

Notes to the Financial Statements

12. Net turnover

Revenue by category

	2024	2023
	€	€
Phones	47,869,508	49,500,156
Audio	1,946,687	1,658,454
Spare parts	2,133,127	1,769,267
Accessories	3,235,837	3,678,612
Others	-834,905	-1,882,568
	54,350,254	54,723,920

Revenue by Region

	2024	2023
	€	€
Germany	21,725,920	20,307,834
France	8,266,822	10,025,319
The Netherlands	10,101,601	9,088,858
Other	14,255,911	15,301,909
	54,350,254	54,723,920

13. Raw materials, consumables and other external charges

These costs consist of:

	2024	2023
	€	€
Fairphones	30,474,226	29,830,380
Audio	740,241	843,306
Spare parts and accessories	1,547,652	1,896,422
Logistics and payment fees	2,463,215	3,269,726
Costs of non-quality	(632,078)	434,473
Provision for impairment – Stock	1,218,544	202,037
Other costs	1,073,081	10,972,984
	36,884,881	47,449,328

Fairphone B.V.
31 December 2024

fairphone

Notes to the Financial Statements

14. Wages and salaries

Wages and salaries costs consist of:

	2024	2023
	€	€
Salaries and wages	6,741,920	6,846,777
Costs of work contracted out	1,934,183	1,663,175
Wages tax reduction	0	0
Employee Stock Option Plan (ESOP)	124,782	301,162
Pension expenses	314,768	301,234
	9,115,653	9,112,348

Row Labels	2024	2023	
	Sum of FTE	Sum of FTE	Movement
Customer Support	14.6	27.6	-13
Finance & Accounting	4	4	0
Impact Innovation	11.8	10.8	1
Legal & Compliance	3.8	3	0.8
Management Board	3	3	0
Operation	5.8	13	-7.2
People & Culture	4.75	7.3	-2.55
Procurement	1	0	1
Sales & Marketing	32.65	40.6	-7.95
Supply Chain	5	4	1
Technology & Product	35.84	15.7	20.14
Grand Total	122.24	129	-6.76

At the end of 2024 we had 124 employees in Amsterdam, representing 122,04 FTE. Of these employees, 15 were employed outside the Netherlands, in China, France, Germany, India, Italy and Taiwan (2023: 1).

In 2024, the company implemented a new organizational structure. The area of Impact Innovation and Project Management continues, while other teams from 2023 have been consolidated into newly formed departments. The new Operation department now comprises the former Product Operation and Business Operation teams. Similarly, the Sales & Marketing department integrates the After Sales, Commercial, Marketing, and Brand teams. Lastly, the Technology & Product department now consolidates the Quality, IT, and Software Longevity teams.

Employee Stock Option Plan (ESOP)

The Company established an Employee Stock Option Plan (ESOP) in 2018 to attract, retain, and incentivize high-performing employees. The plan provides for 3,197 options over Depositary Receipts (DRs), representing a 4.28% interest in the Company at inception, with an aggregate valuation of €935,890. The DRs confer economic ownership of one share each, excluding voting rights. The option pool is intended to cover a five-year issuance period. Eligibility is limited to employees with at least



Notes to the Financial Statements

one year of service and a performance rating of 4 or 5 (on a 5-point scale), although grants may also be made at the discretion of the Management or Supervisory Board. Options are granted free of charge, with the exercise price fixed at the grant date. Vesting occurs in three equal annual tranches over a three-year period, conditional on continued employment. Unvested options are forfeited upon termination. Exercisable options may be exercised during specified windows authorized by management. Applicable wage tax and social security contributions are withheld by the Company at the time of exercise in accordance with local tax regulations.

15. Other operating expenses

Other operating expenses consist of:

	2024	2023
	€	€
Marketing expenses	1,678,674	8,148,853
Personnel expenses	445,878	603,465
General and Administrative Expense	3,064,634	2,609,852
Research and development	165,923	34,586
	5,355,109	11,396,756

16. Financial income and expenses

Financial income and expenses consist of:

	2024	2023
	€	€
Interest and similar income	0	0
Interest and similar expenses	545,669	302,292
Exchange differences	0	0
	545,669	302,292

Other disclosure

Notes to the Financial Statements

Related party and Supervisory Board remuneration

The non-executive Supervisory Board (SB) plays an important role in protecting the interests of the company and its social mission. It guides and monitors the company's performance towards the mission and helps provide continuity for the company. However, it does not represent the company externally and is not involved in the day-to-day business of running Fairphone. Bas van Abel, founder of Fairphone, is a member of the SB and is additionally actively externally representing Fairphone in PR activities. During the period under review the remuneration for all supervisory Board members together amounted to €51,000 (2023: €51,000). This remuneration has been recorded under Wages and Salaries..

Directors remuneration

The Company has two directors. During the period under review the directors remuneration amounted to €482,489 (2023: €261,220). This remuneration has been recorded under Wages and salaries (*Directors remuneration*).

Auditor remuneration

The 2024 fee for the audit of the financial statements was €65,000.

Subsequent events

Appointment of new Supervisory Board members

On January 26, 2025, further changes were made to the Supervisory Board with the appointment of Astrid Rauchfuss, Elfriede van Galen, Gustavo Burnier and Besma Kraiem, who bring valuable experience in sustainability, technology and marketing. These appointments reflect Fairphone's ongoing commitment to strong governance and strategic oversight.

Extension of Existing Convertible Loan Agreement (CLA)

In June 2025, the company secured an extension to its existing CLA amounting to €3,400,000. This extension was formally approved by the original lenders and serves as a vital financial back-stop. The provision of this extended CLA is specifically designed to ensure that Fairphone can confidently meet its budgetary funding targets, providing a safeguard against potential shortfalls and bolstering the company's financial stability.

New Shareholder Loan

May 2025 saw the successful negotiation and signing of a new shareholder loan, providing a significant injection of capital. This loan, valued at €1,500,000, comes with a 3-year maturity term, offering medium-term financial security. The full amount was received in early June 2025, immediately enhancing the company's available funds and contributing to its operational capabilities.

Successful Employee Investment Plan

The Employee Investment Plan achieved a total capital raise of €537,000. This fundraising was a condition subsequent to the CLA that was established in 2024. The fulfillment of this condition demonstrates strong internal support and commitment, highlighting the employees' confidence in the company's future and contributing to the overall financial structure.

Increase of Debtor Factoring Line

The existing line, which previously stood at €2,500,000, was doubled to €5,000,000. The increased factoring line provides greater financial flexibility and liquidity, crucial for supporting operational expansion and marketing initiatives.

Fairphone B.V.
31 December 2024



Notes to the Financial Statements

Amsterdam
June 20, 2025

Board of Directors

R. van Eck

Signed by:

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O. Visser

Signed by:

69637C5D2ED0459...

Supervisory Board

E. Blok

DocuSigned by:

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A. Rauchfuss

DocuSigned by:

7E9F9259B8704B1...
G. Burnier

DocuSigned by:

56611D1223CF4D4...

B. van Abel

Signed by:

4B8FAC19141E4CE...
E. van Galen

DocuSigned by:

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B. Kraiem

DocuSigned by:

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Fairphone B.V.

31 December 2024

Other information

Independent Audit report

The independent auditor's report is on the next pages.

Statutory provision regarding appropriation of Result

Article 29 Reserves

29.1 The Company shall maintain:

- (a) a share premium reserve exclusively attached to the D Shares, to which any amounts or values in excess of the nominal value paid up in respect of, or contributed on, the D Shares shall be added;
- (b) a profit reserve exclusively attached to the D Shares, to which any amounts determined by the General Meeting shall be added;
- (c) a share premium reserve exclusively attached to the A Shares, to which any amounts or values in excess of the nominal value paid up in respect of, or contributed on, the A Shares shall be added; and
- (d) a profit reserve exclusively attached to the A Shares, to which any amounts determined by the General Meeting shall be added and such other reserves attached to the A Shares and/or the D Shares as the General Meeting considers appropriate.

29.2 The General Meeting is authorised to resolve to make a distribution from the Company's reserves.

29.3 Distributions from the reserve referred to in 29.1 shall be made exclusively to the holders of the class or classes of shares to which such reserves are attached, in proportion to the aggregate nominal value of their shares of relevant class(es).

Article 30 Distribution on Shares

30.1 The profits as determined through the adoption of the annual accounts shall be at the disposal of the General Meeting. The General Meeting may decide to make a distribution, to the extent that the shareholders' equity exceeds the reserves that must be maintained by law.

30.2 A resolution to make a distribution shall not take effect as long as the Management Board has not given its approval. The Management Board may only withhold such approval if it knows or should reasonably foresee that, following the distribution, the Company will be unable to continue paying its dues and payable debts.

30.3 For the purpose of calculating any distribution, shares held by the Company in its own capital shall not be included.

30.4 For the purposes of calculating the amount to be distributed on each share, only the nominal value of the shares shall be taken into account. The preceding sentence may be derogated from with the consent of all Shareholders.

30.5 Unless the Management Board determines otherwise, distributions shall be payable immediately following approval by the Management Board of the resolution to make the relevant distribution.

30.6 A Shareholders' claim under Article 30 shall lapse after five years.

The articles of association show that the annual profit obtained is at the free disposal of the general meeting.



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INDEPENDENT AUDITOR'S REPORT

To: The shareholders and supervisory board of FairPhone B.V.

Report on the audit of the financial statements 2024 included in the annual report

Our opinion

We have audited the financial statements 2024 of FairPhone B.V., based in Amsterdam.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of FairPhone B.V. as at 31 December 2024 and of its result for 2024 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the balance sheet as at 31 December 2024;
2. the statement of income and expenses for the year ended 31 December 2024; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of FairPhone B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Emphasis of matter

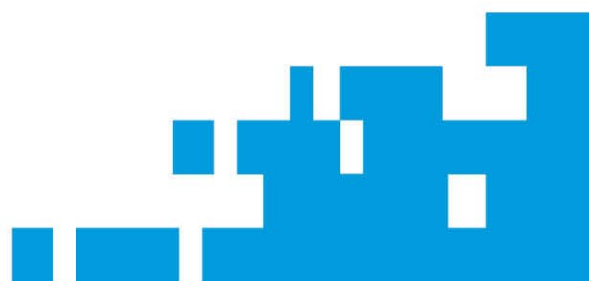
We draw attention to the going concern paragraph in the notes on page 14 of the financial statements which describes the management's assumption to continue the activities of the company based on the going concern assumption. Our opinion is not modified in respect of this matter.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

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Audit approach fraud risks

Although we are not responsible for preventing fraud, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We identified and assessed the risk of material misstatement to the financial statements due to fraud. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

As described in the auditing standards, management override of controls and risk of fraud in revenue recognition are presumed risks of fraud. The company purchases products from third-party suppliers located in countries with a lower score on the CPI index which triggers fraud risks related to bribery and corruption.

We incorporated elements of unpredictability in our audit. During the entire audit we remained alert to indications of fraud and considered the impact on our audit, if any. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

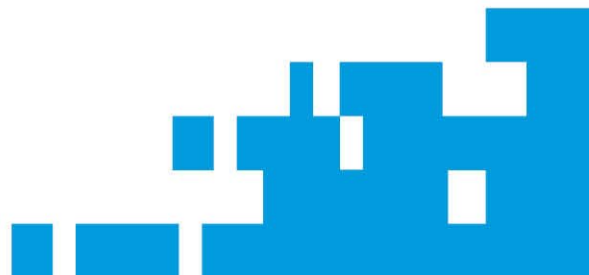
Management of a company is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. The audit procedures to respond to the assessed risks of management bias include, among others, evaluation of the design and the implementation of internal controls that intend to mitigate fraud risks, and retrospective review of prior year's estimates. Further we performed the following audit procedures: evaluating journal entries, transactions outside the normal course of business and whether there was evidence of potential bias by management when making assumptions and estimates that may represent a risk of material misstatement due to fraud.

The risk of fraud in revenue recognition is related to the cut-off of revenue transactions, specifically the risk that revenue is overstated due to incorrect cut-off at year end. We addressed the risk of revenue recognition, including evaluation of the design and implementation of relevant internal controls, tracing a sample of revenue transactions recorded close to year end to supporting documents, goods movement reconciliation and assess the correct allocation to the periods. Management described in the paragraph misconduct in the company included in the director's report a specific transaction for which we performed procedures related to the evaluation of the design and implementation of relevant internal controls, enquiries of relevant executives, directors and those charged with governance and traced this transaction to the supporting documentation.

Audit approach going concern

As mentioned in the going concern paragraph in the notes to the financial statements, management has evaluated a period of twelve months from the date of the annual report. Management prepared the financial statements based on the assumption that the company is a going concern and that it will continue its operations for the foreseeable future. Our procedures to evaluate management's going concern assessment include, amongst others:

- considerations whether management's going concern assessment includes all relevant information of which we are aware as a result of our audit, inquiry with management and whether management has identified any events or conditions that may cast a significant doubt on the company's ability to continue as a going concern;
- evaluating management's current operating plan including cash flows in comparison with last year, secured funding after balance sheet date and all relevant information of which we are aware as a result of our audit;
- analyzing current finances and whether they are sufficient for the going concern of the company;



- inquiry with management as to their knowledge of going concern risks beyond the period of management's assessment.

Report on the other information included in the annual report

The annual report contains other information, in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all the information regarding the Director's report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the Director's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities regarding the financial statements**Responsibilities of management and the supervisory board for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting, unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

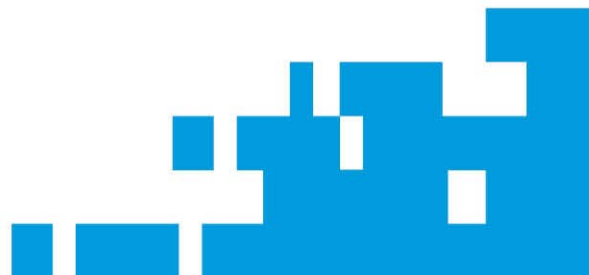
Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors, whether due to fraud or error, during our audit.



Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Alkmaar, 23 June 2025

RSM Netherlands Accountants N.V.

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