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**FINANCIAL STATEMENTS**

Year ended December 31, 2017

(AUDITED)

(Expressed in Euros)



## TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	3
CORPORATE BODIES	10
FINANCIAL POSITION STATEMENT	11
PROFIT AND LOSS STATEMENT	12
CHANGES IN EQUITY STATEMENT	13
CASH FLOW STATEMENT	14
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016	15
1. CORPORATE INFORMATION AND GOING CONCERN	15
2. STATEMENT OF COMPLIANCE	16
2.1. New standards and interpretations applicable to the 2017 financial year	16
2.2. New standards and interpretations already issued but not yet mandatory	17
3. SIGNIFICANT ACCOUNTING POLICIES	18
3.1 Basis of presentation	18
3.2 Intangible assets	18
3.3 Tangible fixed assets	18
3.4 Impairment of assets	19
3.5 Provisions, contingent liabilities and contingent assets	20
3.6 Government grants and disclosure of government assistance	21
3.7 The effects of changes in foreign exchange rates	21
3.8 Income tax	21
3.9 Financial instruments	22
3.10 Employee benefits	23
3.11 Events after the balance sheet	23
3.12 Main accounting estimates and judgments	23
4. CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES	24
5. PROPERTY, PLANT AND EQUIPMENT	24
6. INTANGIBLE ASSETS	25
7. DEFERRED TAX ASSETS	27
8. FINANCIAL INSTRUMENTS	27
9. CASH FLOW	31
10. BORROWING COSTS	32
11. REVENUE	32
12. GOVERNMENT GRANTS AND DISCLOSURE OF GOVERNMENT ASSISTANCE	32
13. OTHER INFORMATION	35
14. FAIR VALUES AND RISK MANAGEMENT	37



*INDEPENDENT AUDITOR'S REPORT*



ROMÃO & VICENTE

S R O C , L D A .

## CERTIFICAÇÃO LEGAL DAS CONTAS

### RELATO SOBRE A AUDITORIA DAS DEMONSTRAÇÕES FINANCEIRAS

#### Opinião

Auditámos as demonstrações financeiras anexas de **YD YNVISIBLE, S.A.** (a Entidade), que compreendem o balanço em 31 de Dezembro 2017 (que evidencia um total de 364.150,70 euros e um total de capital próprio negativo de 1.143.088,47 euros, incluindo um resultado líquido negativo de 550.561,87 euros), a demonstração dos resultados por naturezas, a demonstração das alterações no capital próprio e a demonstração dos fluxos de caixa relativas ao ano findo naquela data, e o anexo às demonstrações financeiras que inclui um resumo das políticas contabilísticas significativas.

Em nossa opinião, as demonstrações financeiras anexas apresentam de forma verdadeira e apropriada, em todos os aspetos materiais, a posição financeira de **YD YNVISIBLE, S.A.** em 31 de Dezembro 2017 e o seu desempenho financeiro e fluxos de caixa relativos ao ano findo naquela data de acordo com as Normas Internacionais de Relato Financeiro (IFRS). Estas demonstrações financeiras para fins especiais foram preparadas exclusivamente para a Ynvisible Interactive Inc.

#### Bases para a opinião

A nossa auditoria foi efetuada de acordo com as Normas Internacionais de Auditoria (ISA) e demais normas e orientações técnicas e éticas da Ordem dos Revisores Oficiais de Contas. As nossas responsabilidades nos termos dessas normas estão descritas na secção “Responsabilidades do auditor pela auditoria das demonstrações financeiras” abaixo. Somos independentes da Entidade nos termos da lei e cumprimos os demais requisitos éticos nos termos do código de ética da Ordem dos Revisores Oficiais de Contas.

Estamos convictos de que a prova de auditoria que obtivemos é suficiente e apropriada para proporcionar uma base para a nossa opinião.

#### Ênfase

A Entidade tem dívidas à Segurança Social no valor global de 204.516 euros, abrangidas por vários planos de pagamentos que estão a ser cumpridos.

A nossa opinião não é modificada em relação a estas matérias.

### **Responsabilidades do órgão de gestão pelas demonstrações financeiras**

O órgão de gestão é responsável pela:

- preparação de demonstrações financeiras que apresentem de forma verdadeira e apropriada a posição financeira, o desempenho financeiro e os fluxos de caixa da Entidade de acordo com Normas Internacionais de Relato Financeiro (IFRS);
- criação e manutenção de um sistema de controlo interno apropriado para permitir a preparação de demonstrações financeiras isentas de distorção material devido a fraude ou erro;
- adoção de políticas e critérios contabilísticos adequados nas circunstâncias; e
- avaliação da capacidade da Entidade de se manter em continuidade, divulgando, quando aplicável, as matérias que possam suscitar dúvidas significativas sobre a continuidade das atividades.

### **Responsabilidades do auditor pela auditoria das demonstrações financeiras**

A nossa responsabilidade consiste em obter segurança razoável sobre se as demonstrações financeiras como um todo estão isentas de distorções materiais devido a fraude ou erro, e emitir um relatório onde conste a nossa opinião. Segurança razoável é um nível elevado de segurança mas não é uma garantia de que uma auditoria executada de acordo com as ISA detetará sempre uma distorção material quando exista. As distorções podem ter origem em fraude ou erro e são consideradas materiais se, isoladas ou conjuntamente, se possa razoavelmente esperar que influenciem decisões económicas dos utilizadores tomadas com base nessas demonstrações financeiras.

Como parte de uma auditoria de acordo com as ISA, fazemos julgamentos profissionais e mantemos ceticismo profissional durante a auditoria e também:

- identificamos e avaliamos os riscos de distorção material das demonstrações financeiras, devido a fraude ou a erro, concebemos e executamos procedimentos de auditoria que respondam a esses riscos, e obtemos prova de auditoria que seja suficiente e apropriada para proporcionar uma base para a nossa opinião. O risco de não detetar uma distorção material devido a fraude é maior do que o risco de não detetar uma distorção material devido a erro, dado que a fraude pode envolver conluio, falsificação, omissões intencionais, falsas declarações ou sobreposição ao controlo interno;
- obtemos uma compreensão do controlo interno relevante para a auditoria com o objetivo de conceber procedimentos de auditoria que sejam apropriados nas circunstâncias, mas não para expressar uma opinião sobre a eficácia do controlo interno da Entidade;
- avaliamos a adequação das políticas contabilísticas usadas e a razoabilidade das estimativas contabilísticas e respetivas divulgações feitas pelo órgão de gestão;





- concluímos sobre a apropriação do uso, pelo órgão de gestão, do pressuposto da continuidade e, com base na prova de auditoria obtida, se existe qualquer incerteza material relacionada com acontecimentos ou condições que possam suscitar dúvidas significativas sobre a capacidade da Entidade para dar continuidade às suas atividades. Se concluirmos que existe uma incerteza material, devemos chamar a atenção no nosso relatório para as divulgações relacionadas incluídas nas demonstrações financeiras ou, caso essas divulgações não sejam adequadas, modificar a nossa opinião. As nossas conclusões são baseadas na prova de auditoria obtida até à data do nosso relatório. Porém, acontecimentos ou condições futuras podem levar a que a Entidade descontinue as suas atividades;
- avaliamos a apresentação, estrutura e conteúdo global das demonstrações financeiras, incluindo as divulgações, e se essas demonstrações financeiras representam as transações e acontecimentos subjacentes de forma a atingir uma apresentação apropriada;
- comunicamos com os encarregados da governação, entre outros assuntos, o âmbito e o calendário planeado da auditoria, e as conclusões significativas da auditoria incluindo qualquer deficiência significativa de controlo interno identificada durante a auditoria.

Lisboa, 16 de maio de 2018



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**ROMÃO & VICENTE – SOCIEDADE DE REVISORES OFICIAIS DE CONTAS, LDA.**

Representada pelo Dr. Justino Mendes dos Santos Romão (Revisor Oficial de Contas n.º 379)



ROMÃO & VICENTE

S R O C , L D A .

## **Statutory Audit Report and Auditors' Report**

**(Free translation from the original in Portuguese)**

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of **YD YNVISIBLE, S.A.** (the Entity), which comprise the statement of financial position statement as at 31 December 2017 (which shows total assets of Euros 364.150,70 and total shareholders' negative equity of Euros 1.143.088,47 including a net loss of Euros 550.561,87), the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of **YD YNVISIBLE, S.A.** as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS). This special purpose financial statements information has been prepared solely for Ynvisible Interactive.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of the Entity and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

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

#### **Emphasis**

The Entity has debts to Social Security in the total amount of Euros 204.516, which are being paid through instalment plans.

Our opinion is not modified in relation to these matters.

### **Responsibilities of management for the financial statements**

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Inscrita na lista da Ordem dos Revisores Oficiais de Contas sob o n.º. 295 | Número de registo na CMVM:2016588

Management is responsible for:

- the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Entity in accordance with International Financial Reporting Standards (IFRS);
- the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of appropriate accounting policies and criteria;
- the assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Entity's ability to continue its activities.

#### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement 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;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or

conditions that may cast significant doubt on the Entity'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 the Entity to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

Lisbon, 16th of may, 2018



**ROMÃO & VICENTE - SOCIEDADE DE REVISORES OFICIAIS DE CONTAS, LDA.**

represented by: Justino Mendes dos Santos Romão (R.O.C n.º 379)

## **CORPORATE BODIES**

### **BOARD OF DIRECTORS**

António da Nóbrega de Sousa da Câmara (Chairman of the Board)

Edmundo Manuel Nabais Nobre (YDreams Representative)

José Miguel Rodrigues Remédio (YDreams Representative)

### **AUDITOR COMMITTEE**

Romão & Vicente – Sociedade de Revisores Oficiais de Contas, Lda.

Address: Av. 5 de Outubro, 85 – 3º piso, 1050-050 Lisboa, Portugal.

### **BOARD OF THE GENERAL ASSEMBLY**

Sociedade Rebelo de Sousa & Advogados Associados, RL

Address: Rua Dom Francisco Manuel de Melo, 21, 1070-085 Lisboa, Portugal.

Carla Alexandra Pasadouro Simões Valente (President)

Neuza Maria Sousa Pereira de Campos (Secretary)

## FINANCIAL POSITION STATEMENT

### FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

	Note	Euro	
		Period 31.12.17	Period 31.12.16
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	3,119.22	7,097.94
Intangible assets	6	21,844.68	14,203.84
Non-current financial assets	8	422.92	658.46
Deferred tax assets	7	213,872.76	146,237.85
		239,259.58	168,198.09
<b>Current assets</b>			
Trade and other receivables	8	24,156.07	24,176.27
Other accounts receivable	8	98,441.09	138,399.10
Cash and short term deposits	9	2,293.96	20,445.42
		124,891.12	183,020.79
<b>Total assets</b>		<b>364,150.70</b>	<b>351,218.88</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Issued capital	8	261,728.15	261,728.15
Other equity instruments	8	0.00	0.00
Share Premiums	8	1,258,617.36	1,258,617.36
Retained earnings	8	(2,112,872.11)	(2,155,343.69)
Net income of the period	8	(550,561.87)	(177,513.39)
<b>Total Equity</b>		<b>(1,143,088.47)</b>	<b>(812,511.57)</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Trade and other payables	8	160,243.46	143,983.82
Other accounts payable	8	49,777.10	52,947.35
		210,020.56	196,931.17
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	8	512,844.97	254,675.04
Trade and other payables	8	200,410.12	122,551.39
Other accounts payable	8	583,963.52	589,572.85
		1,297,218.61	966,799.28
<b>Total Liabilities</b>		<b>1,507,239.17</b>	<b>1,163,730.45</b>
<b>Total Equity and Liabilities</b>		<b>364,150.70</b>	<b>351,218.88</b>

Official Accountant

*Pedro Rodriguez*

Board of Directors

*Antonio López de Letona*  
*John Paul...*

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

**PROFIT AND LOSS STATEMENT**

**PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016**

INCOME AND EXPENSES		NOTES	Euro	
			Period 31.12.17	Period 31.12.16
Sales and Services provided	+	11	70,745.59	103,571.38
Operating subsidies	+	12	95,872.31	104,974.52
Supplies and external services	-	13	(157,088.16)	(96,723.22)
Personnel costs	-	13	(329,414.59)	(287,416.86)
Other incomes and gains	+	11	10,172.64	3,853.86
Other expenses and losses	-	13	(46,504.32)	(23,603.23)
<b>Income before depreciation, financing costs and taxes</b>	<b>=</b>		<b>(356,216.53)</b>	<b>(195,343.55)</b>
Expenses / depreciation reversals and amortization	-/+	5/6	(3,978.72)	(6,331.17)
Impairment of depreciable investments (losses / reversals)	-/+			
<b>Operating income (before taxes and financing costs)</b>	<b>=</b>		<b>(360,195.25)</b>	<b>(201,674.72)</b>
Interests and similar income received	+		0.00	0.67
Interest and similar expenses paid	-	10	(36,752.43)	(13,511.17)
<b>Income before tax</b>	<b>=</b>		<b>(396,947.68)</b>	<b>(215,185.22)</b>
Income Tax of the period	-/+	7	(153,614.19)	37,671.83
<b>Net income of the period</b>	<b>=</b>		<b>(550,561.87)</b>	<b>(177,513.39)</b>
<b>Net profit per share</b>	<b>=</b>		<b>(0.02)</b>	<b>(0.01)</b>

Official Accountant

*Pedro Rodriguez*

Board of Directors

*Antonio López de Letona*  
*José María...*

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

## CHANGES IN EQUITY STATEMENT

### STATEMENT OF CHANGES IN EQUITY AS AT DECEMBER 31, 2017

		Euro						
DESCRIPTION	NOTES	Equity attributable to shareholders of parent company						Total Equity
		Paid-in capital	Share Premium	Earnings retained	Other changes in equity	Net profit of the period	Total	
SITUATION IN THE BEGINNING OF 2017	1	261,728.15	1,258,617.36	(2,155,343.69)	0.00	(177,513.39)	(812,511.57)	(812,511.57)
<b>CHANGES IN THE PERIOD</b>							0.00	
Adjustments by deferred taxes				219,984.97			219,984.97	219,984.97
Profit appropriation				(177,513.39)		177,513.39	0.00	0.00
Capital Issue							0.00	0.00
Other changes recognized in equity							0.00	0.00
	2	0.00	0.00	42,471.58	0.00	177,513.39	219,984.97	219,984.97
<b>NET INCOME OF THE PERIOD</b>	3					(550,561.87)	(550,561.87)	(550,561.87)
<b>COMPREHENSIVE INCOME</b>	4=2+3					(373,048.48)	(330,576.90)	(330,576.90)
<b>TRANSACTIONS WITH EQUITY HOLDERS IN THE PERIOD</b>								
other operations	5							0.00
	5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>SITUATION AT THE END OF DECEMBER 2017</b>	6=1+2+3+5	261,728.15	1,258,617.36	(2,112,872.11)	0.00	(550,561.87)	(1,143,088.47)	(1,143,088.47)

Official Accountant

*Pedro Rodriguez*

Board of Directors

*Antonio López de Letona*  
*Johannes*

### STATEMENT OF CHANGES IN EQUITY AS AT DECEMBER 31, 2016

		Euro						
DESCRIPTION	NOTES	Equity attributable to shareholders of parent company						Total Equity
		Paid-in capital	Share Premium	Earnings retained	Other changes in equity	Net profit of the period	Total	
SITUATION IN THE BEGINNING OF 2016	1	108,754.50	344,555.00	(1,734,393.69)	976,451.37	(200,965.04)	(505,597.86)	(505,597.86)
<b>CHANGES IN THE PERIOD</b>							0.00	0.00
Adjustments by deferred taxes							0.00	0.00
Profit appropriation				(200,965.04)		200,965.04	0.00	0.00
Capital Issue		152,973.65	914,062.36		(976,451.37)		90,584.64	90,584.64
Other changes recognized in equity				(219,984.96)			(219,984.96)	(219,984.96)
	2	152,973.65	914,062.36	(420,950.00)	(976,451.37)	200,965.04	(129,400.32)	(129,400.32)
<b>NET INCOME OF THE PERIOD</b>	3					(177,513.39)	(177,513.39)	(177,513.39)
<b>COMPREHENSIVE INCOME</b>	4=2+3					23,451.65	(306,913.71)	(306,913.71)
<b>TRANSACTIONS WITH EQUITY HOLDERS IN THE PERIOD</b>								0.00
other operations	5							0.00
	5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>SITUATION AT THE END OF DECEMBER 2016</b>	6=1+2+3+5	261,728.15	1,258,617.36	(2,155,343.69)	0.00	(177,513.39)	(812,511.57)	(812,511.57)

Official Accountant

*Pedro Rodriguez*

Board of Directors

*Antonio López de Letona*  
*Johannes*

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

## CASH FLOW STATEMENT

### STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED DECEMBER 31, 2017 AND 2016

CAPTIONS	NOTES	Euro	
		Period 31.12.17	Period 31.12.16
<b>Cash flows of operating activities - direct method</b>			
Received from customers	+	71,737.12	95,491.74
Payments to suppliers	-	(110,381.68)	(118,330.20)
Payments to staff	-	(204,401.05)	(215,811.11)
Cash generated from operations	+/-	(243,045.61)	(238,649.57)
Income tax payable/receivable	-/+	(3,434.48)	(3,795.67)
Other receipts / payments	+/-	(12,998.80)	33,672.01
<b>Cash flows from operating activities</b>	<b>(1)</b>	<b>(259,478.89)</b>	<b>(208,773.23)</b>
<b>Cash flows from investment activities</b>			
Payments of:			
Other assets		(4.95)	(130.91)
Receipts generated from:			
Other assets		0.00	0.00
<b>Cash flows from investment activities</b>	<b>(2)</b>	<b>(4.95)</b>	<b>(130.91)</b>
<b>Cash flows from financing activities</b>			
Receipts generated from:			
Achievements of capital and other equity instruments	+		
Loans obtained		245,298.76	227,925.57
Donations		0.00	0.00
Other Financing Operations		0.00	0.00
Payments of:			
Loans obtained		(3,930.92)	(2,722.24)
Interests and other similar costs		(35.46)	0.00
<b>Cash flows from financing activities</b>	<b>(3)</b>	<b>241,332.38</b>	<b>225,203.33</b>
<b>Variation in cash and cash equivalents</b>	<b>(1)+(2)+(3)</b>	<b>(18,151.46)</b>	<b>16,299.19</b>
Cash and cash equivalents at beginning of the period	+/-	20,445.42	4,146.23
Cash and cash equivalents at end of the period	+/-	2,293.96	20,445.42

Official Accountant

*Pedro Rodriguez*

Board of Directors

*Antonio López de Letona*  
*José María...*

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016**

### **1. CORPORATE INFORMATION AND GOING CONCERN**

YD Ynvisible, S.A., hereinafter referred to as " Company" or "ynvisible", was incorporated on January 21, 2010 with the legal form of a limited company, initially named as YDreams - Interactive Surfaces Ltd., headquartered at Rua Mouzinho Albuquerque n.º 7, in Cartaxo, Portugal, and 5,000 euros of share capital at the date of its incorporation.

In August 2010 the Company was transformed into a business corporation, and the share capital was increased to 300,000 euros due to the capital increases during the second half of 2010.

During the first half of 2011, the Company incurred in new capital increases and as at December 31, 2014 the share capital amounted to 1,087,545 euros.

In June 2014, in order to address the situation of loss of half of the capital, the General Assembly decided to carry out a reduction of capital, in order to cover the losses of previous years. The operation was made by amending the unit value of the shares, which was changed from 0.10 euros to 0.01 euros.

In the beginning of 2016 the Company incurred in a new capital increase, issuing 15,297,365 new shares with the unit value of 0.01 euros. As at December 31, 2017 the share capital was 261,728.15 euros, represented by 26,172,815 ordinary shares.

#### Identification information on 31/12/2017

Company: YD YNVISIBLE, S.A. NIPC: 509233023 Legal nature: business corporation

Headquarters: Rua Mouzinho de Albuquerque n.º 7, Parish: Cartaxo, Postal Code: 2070 - 104 Cartaxo  
Country: Portugal

ynvisible's share capital is held by:

- YDreams – Informática, S.A., 40.21 %,
- CUF Companhia União fabril, SGPS, S.A., 1.79 %,
- SEMAPA, S.A., 1.90%,
- Fundo de Capital de Risco Armilar Venture Partners II, 18.37%
- Other investors, the remaining 37.73%

The operations and transactions of ynvisible are influenced by the decisions of YDreams Group.

ynvisible's activity focuses on technology development and commercialization, and creation of intellectual property. The Company has a position in the value chain as a provider of technology and



specializes in providing services to companies that will integrate ynvisible's technologies into their products.

The notes to the financial statements are presented in euros since this is the currency used in the economic environment in which the Company operates.

These notes to the financial statements have been prepared by management on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future.

It is the opinion of the Board of Directors that these financial statements give a true and appropriate view of ynvisible's operations, as well as its financial situation, performance and cash flows.

## ***2. STATEMENT OF COMPLIANCE***

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the interpretations of the Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies adopted in these financial statements are consistent with the accounting policies applied in the Company's financial statements for the past years, and, as such, these audited financial statements should be read together with the Company's financial statements for the year ended December 31, 2016.

The preparation of these audited financial statements requires the use of certain critical accounting estimates and the exercise of management's judgment in applying the Company's accounting policies. Areas involving a high degree of judgment or complexity and areas where assumptions and estimates are significant to the Company's audited financial statements are discussed in Note 3.

The Company's audited financial statements have been prepared on a historical cost basis and have been prepared using the accrual basis of accounting, except for cash flow information and the revaluation of certain financial assets and financial liabilities to fair value. The comparative figures presented in these audited financial statements are in accordance with IFRS. Certain comparative figures may have been reclassified to conform to the current period's presentation.

### ***2.1. New standards and interpretations applicable to the 2017 financial year***

As a result of the endorsement by the European Union (EU), the following issues, revisions, amendments, and improvements of standards and interpretations took effect 1 January 2017, and were adopted by the Company, when applicable:

Standard	Effective date
IAS 12 – Recognition of deferred tax assets for unrealised losses (amendments)	1 January 2017
IAS 7 – Disclosure initiative (amendments)	1 January 2017

## 2.2. New standards and interpretations already issued but not yet mandatory

The following norms and interpretations were recently issued by the IASB; their application is mandatory for financial periods starting 1 January 2018 and later.

- a) The following improvements of the standards and interpretations issued by the IASB have been endorsed by the EU on 31 December 2017; however, their application is only mandatory for financial periods starting after 1 January 2018:

Standard	Effective date
IFRS 15 – Revenue from contracts with customers	1 January 2018
Clarifications to IFRS 15	1 January 2018
IFRS 9 – Financial Instruments	1 January 2018
Application of IFRS 9 with IFRS 4 – Amendments to IFRS 4	1 January 2018
IFRS 10 and IAS 28 – Sales or contributions of assets between an investor and its associate or joint venture	1 January 2018
IFRS 16 – Leases	1 January 2019

- b) The following improvements of the standards and interpretations issued by the IASB have not yet been endorsed by the EU:

Standard	Effective date
IAS 28 – Long-term interests in associates or joint ventures (Amendments)	1 January 2019
IFRS 2 – Classification and measurement of payment transactions based on actions (Addendum)	1 January 2018
IFRIC 22 – Foreign currency transactions and advance consideration	1 January 2018

IAS 40 – Transfer of investment properties (Amendments)	1 January 2018
IFRS 17 – Insurance contracts	1 January 2021
IFRIC 23 – Uncertainty over different Income tax treatments	1 January 2019
IFRS 9 – Anticipated payments with negative compensations (Amendments)	1 January 2019

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The main adopted accounting policies when preparing the notes to the financial statements are as follows:

#### **3.1 Basis of presentation**

The financial statements have been prepared based on the assumption of continuing operations, from the books and accounting records of ynvisible, and according to IFRS (International Financial Reporting Standards). It is the understanding of the board of directors that this assumption is appropriate, taking in consideration the prospects of exploration and the continued support by creditors, towards continuation of the activities of the Company, despite the financial and equity situation presented by the Company on 31 December 2017, with negative equity, in violation of Art. 35 of the Portuguese Companies Code.

#### **3.2 Intangible assets**

Intangible assets are recorded at the cost of acquisition less any accumulated impairment losses. Intangible assets are only recognized if it is probable that attributable future economic benefits to the asset flow to the Company, and that they are controllable and their cost can be valued with reliability.

#### **3.3 Tangible fixed assets**

Tangible fixed assets are initially recorded at the cost of acquisition or production, which includes the purchase cost, any costs directly attributable to the activities required to put the assets in the necessary location and condition to operate in the manner intended and, when applicable, the initial estimated decommissioning costs and assets removal and the restoring of the respective location of installation / operation in which the Company expects to incur.

Any increase resulting of revaluation is recorded in the equity under "revaluation surplus", unless the same reverses a previously recognized decrease in income, in which case such increase is also recognized in income.

Decreases resulting from revaluations are recorded directly under "revaluation surplus" until the limit of any remaining credit balance in the revaluation surplus of that same asset. Any excess of decreases regarding that remaining credit balance is directly recognized in the income. When the asset revalued is derecognized, the revaluation surplus included in equity associated to the asset is not reclassified to income, but rather transferred to "Retained earnings".

The remaining tangible fixed assets are recorded at the cost of acquisition or production, deducted from accumulated depreciations and any accumulated impairment losses.

The depreciations are calculated after the moment the asset is in a position to be used, according to the straight-line method, except for some basic equipment assets for which the declining balance method is used, in accordance with the estimated useful life period for each group of assets.

The depreciation rates used correspond to the following estimated useful life:

Assets	
Basic equipment	5-7
Office equipment	3-5

The useful lives and depreciation methods for the various assets are reviewed annually. The effect of any changes to these estimates is recognized prospectively in the income statement.

Maintenance and repair expenses (subsequent expenditure) that are unlikely to generate additional economic benefits in the future are recorded as expenses in the period they are incurred.

The gain (or loss) resulting from the alienation or disposal of tangible fixed assets is determined as the difference between the fair value of the amount received or receivable in the transaction, and the carrying amounts of the asset, and is recognized in the period in which the disposal or alienation occurs.

### ***3.4 Impairment of assets***

On each reporting date, a review is done of the carrying amounts of tangible and intangible assets of the Company to determine whether there is any indication that they may be impaired. If there is such an indication, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss. When it is not possible to determine the recoverable amount of a single asset, the recoverable amount of the cash generating unit to which the asset belongs is estimated.

The recoverable amount of the asset or cash generating unit consists of the greater between (i) the fair value deducting costs to sell and (ii) the value in use. In determining the value in use, the estimated future cash flows are discounted using a discount rate before tax that reflects the market expectations for the time value of money and regarding the specific risks of the asset or cash generating unit in relation to which the estimates of future cash flows have not been adjusted.

When the carrying amount of the asset or cash generating unit is higher than its recoverable amount, an impairment loss is recognized. The impairment loss is recorded immediately in the income statement under "Impairment losses", unless such loss offsets a revaluation surplus recorded in equity. In this case, such loss is treated as a decrease of that revaluation.

### ***3.5 Provisions, contingent liabilities and contingent assets***

The provisions are recognized when, and only when, the Company has a current obligation (legal or implicit) resulting from a past event, and it is probable that for the resolution of that obligation, an outflow of resources occurs and the amount of the obligation can be reasonably estimated.

The provisions are reviewed at each balance sheet date and are adjusted in order to reflect the best estimate at that date, taking into account the risks and uncertainties inherent in such estimates.

The recognized amount of provisions consists in the current value of the best estimate at the reporting date of resources required to settle the obligation. The estimate is determined according to the risks and uncertainties associated with the obligation.

Provisions for restructuring expenses are recognized when there is a formal and detailed restructuring plan and this has been communicated to the parties involved.

The current obligations resulting from onerous contracts are valued and recorded as provisions. There is an onerous contract when the Company is an integral part of the provisions of a contract, for which compliance has associated costs that cannot be avoided and which exceed the economic benefits derived from it.

The contingent liabilities are not recognized in the financial statements but are disclosed when the possibility of a cash outflow embodying economic benefits is not remote. The contingent assets are not recognized in the financial statements but are disclosed when a probability of a future economic inflow of resources exists.

Costs with equipment and operating technologies that ensure compliance with applicable laws and regulations (as well as the reduction of environmental impacts to levels that do not exceed those representing a viable application of the best available technologies, with regards to minimizing energy consumption, air emissions, waste production and noise) are capitalized when they are intended to permanently serve the business of the Company, as well as when they are associated with future economic benefits which serve to extend the life, increase the capacity or improve the safety or efficiency of other assets held by the Company.

### ***3.6 Government grants and disclosure of government assistance***

Government grants, including non-cash by fair value, are recognized when there is assurance that the conditions for the grant will be received and fulfilled.

Operating subsidies are recognized in the income statement, proportionally to the costs incurred.

The non-refundable investment grants to finance tangible and intangible assets are recorded in equity and recognized in the income statement, proportionally to depreciations / amortizations of the subsidized assets.

### ***3.7 The effects of changes in foreign exchange rates***

Foreign currency transactions are turned into the functional currency at the exchange rate at the transaction date.

On the closing date an update of open exchange balances (cash items) is done, by applying the exchange rate prevailing on that date. The favorable and unfavorable exchange differences arising from differences between the exchange rates prevailing at the transaction date and at the date of collection, of payments or balance sheet date, are recorded as income and / or expenses in the income statement, under the caption "exchange gains/losses".

### ***3.8 Income tax***

The income tax for the year is the sum of current taxes and deferred taxes. Current and deferred taxes are recorded in the income statement, except when deferred taxes relate to items recognized directly in equity. In such cases, deferred taxes are also recorded in equity.

The current tax payable is based on taxable income. Taxable income differs from accounting income as it excludes many expenses and income that will only be taxable or deductible in following years, as well as expenses and income that will never be taxable or deductible.

Deferred taxes refer to temporary differences between the values of assets and liabilities for accounting report and the respective values for tax purposes.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for deductible temporary differences, but such recognition only applies when there are reasonable expectations of enough future taxable income to use these deferred tax assets or taxable temporary differences that reverse in the same period of the reversal of deductible temporary differences. At each reporting date, a review is made of these deferred tax assets, and they are adjusted according to their future use.

The deferred tax assets and liabilities are measured by using tax rates expected to be in force at the date of reversal of the temporary differences, based on tax rates (and tax laws) that have formally been issued by the reporting date.

The offset between deferred tax assets and liabilities is only allowed when: (i) the Company has a legal right to proceed with the compensation between such assets and liabilities for settlement purposes; (ii) these assets and liabilities relate to income taxes released by the same tax authority and (iii) the Company intends to do the offset for settlement purposes.

### ***3.9 Financial instruments***

Financial instruments are valued according to the following criteria:

#### **Customers and other debts to third parties**

The debts of customers or other third parties are recorded at their fair value, as they do not bear interest and the effect of the discount is immaterial.

#### **Suppliers and other debts to third parties**

Debts to suppliers or other third parties are recorded at their fair value, as they do not bear interest and the effect of the discount is immaterial.

#### **Loans**

Loans are recorded as liabilities by the cost, and interest recognized in the income statement.

#### **Transactions and balances of foreign currency**

Transactions in foreign currency (different currency from the Company's functional currency) are recorded at the exchange rates at the dates of the transactions. At each reporting date, the carrying amounts of monetary items denominated in foreign currency are updated to exchange rates at that date. The carrying amounts of non-monetary items recorded at fair value denominated in foreign currency are updated to the exchange rates at the dates on which the respective fair values were determined.

The exchange differences resulting from the updates mentioned above are recorded in the income statement in the period in which they are generated.

#### **Time periods**

The transactions are recognized in the accounts when they are generated, regardless of when they are received or paid. Differences between the amounts received and paid and the corresponding income and expenses are recorded under other accounts receivable and payable, and deferrals.

#### **Cash and bank deposits**

The amounts included in the cash balance and cash equivalents correspond to the amounts in cash and bank deposits, both immediately achievable without loss of value. Bank overdrafts are shown in the balance sheet under current liabilities under the caption financing obtained.

### ***3.10 Employee benefits***

ynvisible grants its employees the following benefits: salaries, monthly meals allowance, paid holidays, holidays and Christmas allowances, and contributions to social security.

These benefits are accounted for in the same time period in which the employee provided the service.

### ***3.11 Events after the balance sheet***

Events after the balance sheet date that provide additional information about conditions that existed at the balance sheet date ("adjusting events" or events after the balance sheet date which give rise to adjustments) are reflected in the financial statements. Events after the balance sheet date that provide information about conditions occurring after the balance sheet date ("non-adjusting events" or events after the balance sheet date that do not give rise to adjustments) are disclosed in the financial statements if they are considered material.

### ***3.12 Main accounting estimates and judgments***

The IFRS require that estimates and judgments are made in the context of decision making on certain accounting options with impact on the amounts reported in the total assets, liabilities, equity, income and expenses. The actual effects may differ from the estimates and judgments made, namely with regard to the effect of real expenses and incomes.

The main estimates and judgments used in the accounting principles are discussed in this section, in order to improve understanding on how their application affects the results reported by the Company and their disclosure.

The Board of Directors believes that the choices made are appropriate and that the financial statements present, in a proper way, the financial position of the Company and the results of its operations in all relevant aspects.

The financial statements have been prepared on an historical cost basis using the accrual basis of accounting, except for cash flow information and as otherwise specified, as set out in the accounting policies below.

#### **4. CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES**

When preparing the financial statements in conformity with IFRS, management undertakes a number of judgments, estimates and assumptions about the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management.

Significant areas of estimation uncertainty considered by management in preparing the financial statements are as follows:

- The valuation of deferred income tax assets is based on estimates of the probability of the Company utilizing certain tax pools and assets and on the impact of future changes in legislation, tax rates and interpretations by tax authorities.
- The application of the Company's accounting policy for intangible assets expenditures, such as patents granted and patent applications in progress, requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

#### **5. PROPERTY, PLANT AND EQUIPMENT**

During the year ended December 31, 2017 and 2016, the changes in the carrying amount of tangible fixed assets and corresponding accumulated amortization and impairment losses were as follows:

Tangible fixed assets		Basic equipment	Office equipment	Totals
at 31.12.2017	Gross carrying amounts	40,488.64	8,424.51	48,913.15
	Depreciations and accumulated impairment losses	(37,369.42)	(8,424.51)	(45,793.93)
	Net carrying amounts	3,119.22	-	3,119.22
Additions		-	-	
Depreciations		(3,978.72)		(3,978.72)
at 31.12.2016	Gross carrying amounts	40,488.64	8,424.51	48,913.15
	Depreciations and accumulated impairment losses	(33,390.70)	(8,424.51)	(41,815.21)
	Net carrying amounts	7,097.94		7,097.94

## 6. INTANGIBLE ASSETS

The useful life of intangible assets is described in the following table:

Amortization methods, useful lives and depreciation rates used in intangible assets		Patents	Computer programs
Finite	Useful life	Indefinite	3 years
	Amortization rates	-	33.33%
	Amortization methods	-	constant shares by twelfths
	Remaining amortization period	-	2016

During the year ended December 31, 2017 and 2016, the movement in the carrying amount of intangible assets, as well as in the corresponding accumulated amortization and impairment losses, was as follows:

Intangible assets		Patents	Computer Programs	Totals
at 31.12.2017	Gross carrying amounts	21,844.68	2,810.99	24,655.67
	Depreciation and accumulated impairment losses	0.00	(2,810.99)	(2,810.99)
	Net carrying amounts	21,844.68	0.00	21,844.68
Additions		7,640.84	-	7,640.84
Depreciations		-	-	0.00
at 31.12.2016	gross carrying amounts	14,203.84	2,810.99	17,014.83
	Depreciation and accumulated impairment losses	-	(2,810.99)	(2,810.99)
	Net carrying amounts	14,203.84	0.00	14,203.84

With regards to intellectual property and other rights, all the expenses inherent to the registration request of trademarks, patents and other rights are capitalized only after they are granted. While this does not happen, these expenses are recorded temporarily under other debtors and creditors.

Thus, during 2017, patents were capitalized in the amount of 7,640.84 euros, taking the accumulated value to 21,844.68 euros.

Patents granted		Market	Total
PATENTS	Electrochromic ionic liquids	National	5,035.88
	Electrochromic device and method for producing same	US	2,890.12
	Electrochromic touchscreen	US	3,047.09
	Method of Chromism I	National	1,493.48
	Method of Chromism II	National	1,493.48
	Preparation method of electrochromic printing ink by inkjet without sintering and respective ink	National	1,349.43
	Electrolyte solution, printing method thereof and	USA	6,535.20
TOTAL			21,844.68

In the same period, 1,975.90 euros have been recorded in the balance sheet regarding costs with trademarks and patents, taking the accumulated value to 58,578.76 euros, as shown below.

Trademarks		Market	Total
TRADEMARKS	Ynvisible	National	2,190.00
	Yn Touch	National	2,765.00
Patent applications in progress		Market	Total
PATENTS	Solid Transparent Electrolyte Polymerized by Ultraviolet Radiation	National	2,617.77
	Electrochromic touchscreen	Europe	12,962.30
	Method of depositing transparent conductive oxide on paper by radio-frequency	National	6,626.71
	EU - Electrolyte Solution printing method thereof, and resulting solid electrolyte	Europe	12,671.00
	Electrochromic device and method for producing same	Europe	10,590.98
	Solid Transparent Electrolyte Polymerized by Ultraviolet Radiation	Brazil	3,352.00
	Electrochromic device and method for producing same	National	1,349.43
	Electrochromic touchscreen	National	695.48
	GB1617742.0 Co-Polymers	Europe	894.09
	Others	.....	1,864.00
	TOTAL		

## 7. DEFERRED TAX ASSETS

The calculation of deferred taxes was updated based on the corporate tax rate approved in the Portuguese State Budget 2017.

Below is the statement of the relation between the accounting profit and the expenses / (income) taxes:

Amounts of deferred tax assets and liabilities recognized in the balance sheet and corresponding movements occurred during the period			31.12.2017				31.12.2016			
			Balance at the beginning of period	Movements in the period by		Balance at the end of period	Balance at the beginning of period	Movements in the period by		Balance at the end of period
				Income statement	Other items of equity			Income statement	Other items of equity	
Deferred tax assets	Coming from tax losses not used and tax credits not used	...	-	-	-	-	-	-	-	-
	Coming from temporary deductible differences	Deductible tax losses in Future periods	146,237.85	67,634.91	-	213,872.76	327,604.76	38,618.05	(219,984.96)	146,237.85
	Totals		146,237.85	67,634.91	-	213,872.76	327,604.76	38,618.05	(219,984.96)	146,237.85
Deferred tax liabilities	Coming from temporary taxable differences	...	-	-	-	-	-	-	-	-
	Totals		-	-	-	-	-	-	-	-

Deferred tax assets	Coming from temporary deductible differences	Deferred Taxes	Tax 21%	Accumulated Deferred Taxes
FY	FY Till Report			
2014	2026	377.637,24	79.303,82	79.303,82
2015	2027	134.838,00	28.315,98	107.619,80
2016	2028	183.895,48	38.618,05	146.237,85
2017	2029	322.071,01	67.634,91	213.872,76
Totals		1.018.441,73	213.872,76	

## 8. FINANCIAL INSTRUMENTS

**State / Customers / Suppliers / Partners – Shareholders / Other accounts receivable and payable / Staff / Non current financial assets**

For the year ended December 31, 2017 and 2016, the caption State / Customers / Suppliers / Partners – Shareholders / Other accounts receivable and payable / Staff / Non current financial assets had the following values:

Carrying amounts for each category of financial assets and financial liabilities			31.12.2017			31.12.2016		
			Gross amounts	Accumulated impairments	Carrying amounts	Gross amounts	Accumulated impairments	Carrying amounts
Financial assets	Current	Customers	11,748.47	-	11,748.47	12,740.00	-	12,740.00
		Advance to Suppliers	-	-	-	-	-	-
		State	9,590.44	-	9,590.44	10,369.56	-	10,369.56
		Other accounts receivable	98,441.09	-	98,441.09	138,399.10	-	138,399.10
		Deferrals	2,817.16	-	2,817.16	1,066.71	-	1,066.71
		Cash and Deposits	2,293.96	-	2,293.96	20,445.42	-	20,445.42
		Subtotals	124,891.12	-	124,891.12	183,020.79	-	183,020.79
	Not Current	Financial Assets	422.92	-	422.92	658.46	-	658.46
		Subtotals	422.92	-	422.92	658.46	-	658.46
		Totals	125,314.04	-	125,314.04	183,679.25	-	183,679.25
Financial liabilities	Current	Suppliers	109,932.18	-	109,932.18	61,155.64	-	61,155.64
		advance of Customers	4,251.58	-	4,251.58	4,475.27	-	4,475.27
		State	86,226.36	-	86,226.36	56,920.48	-	56,920.48
		Financing obtained	512,844.97	-	512,844.97	254,675.04	-	254,675.04
		Other accounts payable	583,963.52	-	583,963.52	589,572.85	-	589,572.85
		Subtotals	1,297,218.61	-	1,297,218.61	966,799.28	-	966,799.28
	Not Current	State	160,243.46	-	160,243.46	143,983.82	-	143,983.82
		Other accounts payable	49,777.10	-	49,777.10	52,947.35	-	52,947.35
		Subtotals	210,020.56	-	210,020.56	196,931.17	-	196,931.17
	Totals	1,507,239.17	-	1,507,239.17	1,163,730.45	-	1,163,730.45	

OTHER ACCOUNTS RECEIVABLE AND PAYABLE			31.12.2017	31.12.2016	
Other accounts receivable	Debtors by accrued income	Subsidies receivable	25,912.18	54,637.78	
		Interests Receivable	-	-	
		Stock exchange Services	-	-	
		<b>Sub-total</b>	<b>25,912.18</b>	<b>54,637.78</b>	
	Other Debtors	Foreign Vat recoverable	-	-	
		Trademarks and Patents requests in progress	58,578.76	56,602.86	
		Others	13,950.15	27,158.46	
		<b>Sub-total</b>	<b>72,528.91</b>	<b>83,761.32</b>	
	<b>TOTAL</b>			<b>98,441.09</b>	<b>138,399.10</b>
	Other accounts payable	Creditors by accrued expenses	Remuneration payable	61,992.09	46,535.61
ESF			10,250.00	8,594.00	
Fines and penalties			3,639.38	3,639.38	
Interests payable			75,518.16	37,781.88	
Other accrued expenses			40,728.38	46,225.74	
<b>Sub-total</b>			<b>192,128.01</b>	<b>142,776.61</b>	
Other Creditors		Remuneration and other transactions payable to staff	201,559.51	143,149.71	
		Co-funded projects	231,490.01	348,170.01	
		- Invisible Network Project - amount in debt	167,790.01	167,790.01	
		- Infusion - Pre-financing	63,700.00	180,380.00	
		Payment on account of Ydreams	-	-	
		Others	8,563.09	8,423.87	
		<b>Sub-total</b>	<b>441,612.61</b>	<b>499,743.59</b>	
		<b>TOTAL</b>			<b>633,740.62</b>

### State and other public entities

For the year ended December 31, 2017 and 2016 the caption state and other public entities had the following breakdown:

STATE AND OTHER PUBLIC ENTITIES	31.12.2017			31.12.2016		
	Balance Due	Credit Balance	Net balance	Balance Due	Credit Balance	Net balance
CIT - Estimated tax	-	1,264.13	(1,264.13)	-	1,934.48	(1,934.48)
CIT - Tax payable	-	-	0.00	-	-	0.00
CIT - Special payment on account	-	-	0.00	-	-	0.00
CIT - payment on account	-	-	0.00	-	-	0.00
CIT - Additional payment	-	-	0.00	-	-	0.00
CIT - Withholding taxes	-	-	0.00	-	-	0.00
CIT - Tax recoverable	-	-	0.00	-	-	0.00
Subtotals	0.00	1,264.13	(1,264.13)	0.00	1,934.48	(1,934.48)
VAT - Recoverable	9,590.44	-	9,590.44	10,369.56	-	10,369.56
VAT - Payable	-	-	0.00	-	-	0.00
VAT - Reimbursements	-	-	0.00	-	-	0.00
VAT/ CIT - Withholding taxes	-	22,027.48	(22,027.48)	-	12,794.77	(12,794.77)
Social Security contributions	-	223,178.21	(223,178.21)	-	186,175.05	(186,175.05)
Others	-	-	0.00	-	-	0.00
Totals	9,590.44	246,469.82	(236,879.38)	10,369.56	200,904.30	(190,534.74)

The balance of contributions to Social Security in the amount of 223,178.21 euros includes contributions from November and December 2017, that were in debt on December 31, 2017, in the amount of 18,662.19 euros. The amount of 204,516.02 euros is related to contributions in arrears that were associated with five long term payment plans agreed with Social Security authorities. The monthly payments associated with these payment plans have been duly fulfilled. The balance of withholding taxes in the amount of 22,027.48 euros includes contributions from October until December 2017 in the amount of 8,128.19 euros and two long term payment plans regarding the contributions for December 2016, in the amount of 4,600.82 euros, and for February and August 2017, in the amount of 9,290.47 euros. The monthly payments associated with these payment plans have been duly fulfilled.

### Deferrals

For the year ended December 31, 2017 and 2016, the deferrals had the following breakdown:

Deferrals		31.12.2017	31.12.2016
Costs recognizable	Insurance	2,817.16	1,066.71
	Other deferred costs	-	-
	Subtotals	2,817.16	1,066.71
Total		2,817.16	1,066.71

## Equity

As at December 31, 2017 and 2016, equity had the following breakdown:

Equity	31.12.2017	31.12.2016
Capital	261,728.15	261,728.15
Other equity instruments	-	-
Share Premiums	1,258,617.36	1,258,617.36
Retained earnings	(2,112,872.11)	(2,155,343.69)
Net profit	(550,561.87)	(177,513.39)
Totals	(1,143,088.47)	(812,511.57)

In February 2016 the Company incurred in a capital increase, issuing 15,297,365 new shares with a fair value of 0.01 euros, which are fully subscribed and paid.

At the same time, other equity instruments were converted in share premiums, as follows:

Entity	Opening Balance	Capital	Final Balance
YDreams	281,042	20,113	260,929.53
CUF	34,807	2,175	32,631.49
SEMAPA	35,503	2,219	33,284.06
Fundo Capital Risco Armilar Venture Partners II	626,365	39,148	587,217.28
Totals	977,717	63,655	914,062.36

As at December 31, 2017, the share capital of 261,728.15 euros is fully subscribed and paid and it is represented by 26,172,815 shares with a fair value of 0.01 euros. Although more than half of the share capital is lost, under the terms of art. 35 of the Portuguese Companies Code, ynvisible plans to increase its capital by means of supplementary capital contributions to be carried out in the first half of 2018.

## 9. CASH FLOW

With regards to cash flows, cash and cash equivalents include cash and bank deposits available on demand (period not exceeding three months), net of bank overdrafts. Cash and cash equivalents as at December 31, 2017 and 2016 are detailed as follows:

Net financial means		31.12.2017			31.12.2016		
		Amounts available to use	Amounts unavailable to use	Totals	Amounts available to use	Amounts unavailable to use	Totals
Cash	Cash	10.88	-	10.88	856.50	-	856.50
	Subtotal	10.88	-	10.88	856.50	-	856.50
Bank deposits	Demand deposits	2,283.08	-	2,283.08	19,588.92	-	19,588.92
	Subtotal	2,283.08	-	2,283.08	19,588.92	-	19,588.92
Totals		2,293.96	-	2,293.96	20,445.42	-	20,445.42

The value entered in cash has been checked and reconciled as at December 31, 2017 and 2016.

## 10. BORROWING COSTS

As at December 31, 2017 ynvisible supported the following borrowing costs:

	contract value	Loan Amount		Annual loan costs incurred		Loan costs led to expense
		current	Not current	Total	of which interest supported:	
Banking Institutions - Overdrafts	26,595.96	26,595.96		1,693.93	1,693.93	
Shareholders	286,433.74	286,433.74		33,912.85	33,912.85	
Credit Cards	5,930.94	5,930.94		1,145.65	1,145.65	
<b>Totals</b>	<b>318,960.64</b>	<b>318,960.64</b>		<b>36,752.43</b>	<b>36,752.43</b>	

## 11. REVENUE

The revenue recognized by the Company as at December 31, 2017 and 2016 is detailed as follows:

Revenue amounts recognized in the period	31.12.2017		31.12.2016	
	Revenues recognized in the period	Proportion relating to the total revenue recognized in the period	Revenues recognized in the period	Proportion relating to the total revenue recognized in the period
Provision of services	70,745.59	87.43%	103,571.38	96.41%
Other Income and Gains	10,172.64	12.57%	3,853.86	3.59%
Interests received			0.67	0.00%
<b>Totals</b>	<b>80,918.23</b>	<b>100.00%</b>	<b>107,425.91</b>	<b>100.00%</b>

## 12. GOVERNMENT GRANTS AND DISCLOSURE OF GOVERNMENT ASSISTANCE

As at December 31, 2017, ynvisible recognized income of operating subsidies in the amount of 95,872.31 euros. The ratio of subsidies as at December 31, 2017 and 2016 is as detailed below:

List of grants obtained	Granting entity	Grant purpose	Benefit Period		Incentive recognizable in regard to the execution at date (a)	Profit recognized at 31.03.2017	Profit recognized at 31.12.2016	Profit recognized at 31.12.2015	Profit recognized at 31.12.2014	Profit recognized at 31.12.2013	Profit recognized at 31.12.2012	Incentive receivable (b)(c)(d)	Advances received (e)	Total receivable / Execute (f)(g)(h)	
			Start	End											
Reimbursable	Ynvisible Worldwide Project	IAPMEI	01/02/2011	31/12/2012	-	-	-	-	-	-	-	0.00	-	0.00	
		adi - Innovation Agency	01/11/2011	30/06/2014	-	-	-	-	-	-	-	0.00	23,875.50	(23,875.50)	
	Subtotals				0.00			0.00	0.00	0.00	0.00	0.00	23,875.50	(23,875.50)	
Non-Reimbursable	Ymagizes Project	adi - Innovation Agency	01/06/2010	01/05/2012	116,100.12	0.00	7,287.18	-	-	44,950.47	29,317.19	116,100.12	-	7,287.18	125,387.30
		SACS	7FP	01/11/2012	01/10/2015	210,305.89	0.00	57,199.07	46,557.10	54,662.28	51,887.44	-	210,305.89	108,566.35	101,739.54
	Invisible Network Project	adi - Innovation Agency	01/11/2011	01/06/2014	415,207.74	0.00	-	71,340.05	102,989.61	132,692.89	108,185.19	415,207.74	167,790.01	247,417.73	
		EELICON	IAPMEI	01/01/2014	30/06/2017	268,914.00	77,247.31	39,344.58	74,182.33	78,139.78	0.00	0.00	268,914.00	180,380.00	88,534.00
	SME Instrument	European Union	01/01/2015	31/12/2015	50,000.00	-	-	50,000.00	0.00	0.00	0.00	50,000.00	-	50,000.00	
	Infusion	European Union	01/01/2017	31/12/2017	63,700.00	18,625.00	-	-	-	-	-	-	63,700.00	(63,700.00)	
	Traineeship	IEFP	Support for Hiring	01/04/2013	30/06/2014	13,402.38	-	1,143.69	0.00	4,728.06	7,530.61	0.00	0.00	-	0.00
	3's Internship	AP	Support for Hiring	22/01/2014	21/01/2015	31,441.44	95,872.31	104,974.52	243,539.76	270,500.89	147,160.47	157,502.38	743,613.72	519,149.18	474,544.57
<b>Totals</b>					<b>1,052,971.43</b>	<b>95,872.31</b>	<b>104,974.52</b>	<b>243,539.76</b>	<b>270,500.89</b>	<b>147,160.47</b>	<b>157,502.38</b>	<b>743,613.72</b>	<b>537,024.68</b>	<b>450,669.07</b>	

### **Invisible Network Project**

On September 1, 2011, ynvisible entered into a consortium agreement with 11 entities, in order to implement the Invisible Network Project, which was contracted on the 24<sup>th</sup> of October 2011 with the Portuguese Innovation Agency (ADI). The project had the overall goal of developing a new generation of interactive products based on invisible and ubiquitous computing concepts and technologies.

The project was carried out between November 2011 and March 2015.

It should be noted that the government-based incentive was subject to the following conditions:

- The Company must demonstrate adequate financing of the project with own equity of at least 20% of the eligible costs;
- The Company must demonstrate it has acquired the certification regarding Portuguese Standard NP 4457: 2007 (Management of Research, Development and Innovation (RDI)) , in case it makes corresponding investments pertaining to this certification, especially in terms of provision of services.

The Invisible Network project has been completed and ynvisible has been notified to return 167,790.01 euros, of which 95,107.28 euros have been already negotiated in a payment plan. In January 2018, ynvisible paid 76,085.84 euros associated with this payment plan. During 2018, this payment plan will be fully paid. ynvisible is awaiting the approval of a second payment plan for the remaining debt.

### **SACS Project**

On November 1, 2012 ynvisible initiated the European project "Self-Assembly in Confined Spaces (SACS)" together with the following entities: Katholieke Universiteit Leuven, Belgium, Fundação da Faculdade de Ciências e Tecnologia da Universidade Nova de Lisboa, Portugal, Université de Strasbourg, France, Facultes Universitaires Notre-Dame de la Paix in Namur, Belgium, Philips Lighting BV, Netherlands and N-Tec AS, Norway.

The SACS project focuses on creation, through self-assembly, of functional structures in restricted or confined spaces, in which new properties appear resulting from encapsulation, and allowing the creation of architectures with geometries, sizes and shapes with exceptional properties.

The role of ynvisible in this project consists essentially of:

- Formulating, printing and evaluating the electrochromic performance of new self-assembled materials developed during the project;
- Formulating, printing and characterizing new conductive materials;
- Specification and validation of the new encapsulated electrochromic materials and new conductive materials based on carbon nanotubes, for electrochromic applications;
- Integration of electrochromic devices in project prototypes.

The SACS project was concluded in October 31, 2016 and, after the submission of the final financial report, ynvisible still has to receive 5,957.53 euros from the project. This value was received in August.

#### **EELICON Project**

In 2015 ynvisible began to implement its work plan in the European FP7 project "Enhanced Energy Efficiency and Comfort by Smart Light Transmittance Control (EELICON)", approved in 2014 and with official start in January 2015. The main objective of the project is to establish a high-throughput prototype production for a cost-effective high performance mechanically flexible and light-weight electrochromic film technology, for applications in the automotive and aviation industries, as well as in household appliances. The EELICON consortium totals 13 partners and is led by Fraunhofer ISC; the project also includes as partners Coatema Coating Machinery, ynvisible, TEKS, Microelectronica Maser, LCS Life Cycle Simulation, Consorzio Interuniversitario Nazionale Per La Scienza e Tecnologia Dei Materiali, Hydro-Quebec, Centrum Organické Chemie, Gorenje Gospodinjski Aparati, Acreo Swedish ICT, Unversitaet Stuttgart, and Econtrol-Glas. ynvisible integrates the project in its benchmarking tasks (market monitoring, preliminary business case and costing considerations), and is part of the Steering Group. ynvisible is also involved in the project as an SME Producer.

The EELICON project was concluded in 2017 and ynvisible had to return 48,461.77 euros of the previous funds it had received, due to a restructuring of the project budget. This payment was made in December 2017.

#### **SME Instrument**

During 2015, the Company benefited from a financial instrument to support SMEs in the context of Horizon 2020, in order to support its innovation activities. In this context, the Company benefited from a support of 50,000 euros, non-refundable, for the preparation of a business plan. This project has been concluded.

#### **Traineeships / 3I's Internships**

For the development of its business, the Company regularly uses existing programs that encourage the hiring of human resources. In this regard, the Company has benefited from the employment incentive programs promoted by IEFP (Employment and Vocational Training Institute) and AIP (Portuguese Industrial Association).

As at December 31, 2017, the Company did not have any ongoing program under the Traineeship initiative promoted by IEFP.

Regarding the support program to internships promoted by AIP - 3I's internships, in 2015 the Company recognized an income of 1,460 euros. These internships were completed in 2015. In 2017, as at December 31, there are no active internships under the AIP initiative in the Company. Also note that the Company is still expecting to receive an amount of 3,14.14 euros from a debt of 4,176.22 euros from AIP, for reimbursement of past internship scholarships.

### 13. OTHER INFORMATION

For the year ended December 31, 2017 and 2016, the caption debtors and creditors by accruals was as follows:

Supplies and external services		31.12.2017	31.12.2016
Specialized jobs	Subcontracts	25,170.35	(2,152.00)
	Leases	1,469.43	897.09
	Communications	3,431.04	6,190.17
	Accounting	13,932.00	13,174.00
	Audit	11,000.00	5,500.00
	Lawyers	10,756.00	14,958.80
	Services Fee - Intercompany	24,000.00	24,000.00
	Fees	331.00	1,800.00
	Materials	3,922.57	1,575.14
	Energy	2,060.15	1,667.15
	Trips and accommodations	31,413.60	21,145.49
	others	29,602.02	7,967.38
<b>Total</b>	<b>157,088.16</b>	<b>96,723.22</b>	

For the year ended December 31, 2017 and 2016, the personnel costs were as follows:

Personnel costs		31.12.2017	31.12.2016
Staff Remuneration	Corporate bodies	-	-
	Employees	255,218.51	242,169.07
	Internships	10,746.73	565.00
	Indemnities	1,788.51	5,471.80
	<b>Sub-total</b>	<b>267,753.75</b>	<b>248,205.87</b>
Costs with remunerations	Single Social Tax + FGCT contributions	53,639.46	33,988.08
	<b>Sub-total</b>	<b>53,639.46</b>	<b>33,988.08</b>
Insurances	Work insurance	1,066.80	1,037.60
	Health / life insurance	3,681.88	2,780.83
	others	3,272.70	1,404.48
	<b>Sub-total</b>	<b>8,021.38</b>	<b>5,222.91</b>
<b>Total</b>	<b>329,414.59</b>	<b>287,416.86</b>	

For the year ended December 31, 2017 and 2016, other expenses and losses were as follows:

Other expenses and losses		31.12.2017	31.12.2016
Taxes, Interests and Others	Indirect Taxes	841.26	2,618.94
	Late payment Interests	1,822.73	5,418.70
	Others	43,840.33	15,565.59
	<b>Sub-total</b>	<b>46,504.32</b>	<b>23,603.23</b>
<b>TOTAL</b>		<b>46,504.32</b>	<b>23,603.23</b>

### Related party transactions

Related party transactions take place during the normal course of operations and are measured according to the amounts established and agreed to by the related parties.

During the year ended December 31, 2017 and 2016 the following transactions were made between related parties:

Transactions with related parties		31.12.2017				31.12.2016			
		Supplier				Supplier			
		Re-debits of ESF	ESF	IP	Financial costs	Re-debits of ESF	ESF	IP	Financial costs
Parent Company	YDreams Informática S.A.		24,000.00			24,000.00			
	Subtotals	-	24,000.00	-	-	-	24,000.00	-	-
Others	Other Shareholders								
	Subtotal	-	-	-	-	-	-	-	-
Totals		-	24,000.00	-	-	-	24,000.00	-	-

The services rendered by YDreams to the Company in 2017 pertain to office space rent, administrative/financial services and IT services.

During the year ended December 31, 2017 and 2016, outstanding balances with related parties were as follows:

Outstanding balances amounts with related parties, associated accumulated impairment losses and expenses recognized regarding bad debts or doubtful debts from related parties		31.12.2017		31.12.2016	
		Outstanding balances in		Outstanding balances in	
		Debit	Credit	Debit	Credit
Parent Company	YDreams Informática, S.A. (Supplier)	-	75,256.13	-	48,696.13
	YDreams Informática, S.A. (Customer)	-	-	-	-
	YDreams Informática, S.A. (Others)	-	2,902.17	-	5,823.87
	Subtotals		78,158.30		54,520.00
Other shareholders/ Companies of the Group	YD Vision	6,000.00	-	6,000.00	-
	Azorean (Supplier)		-	-	476.22
	Azorean (Others)	213.59		689.81	-
	Subtotals	6,213.59	-	6,689.81	476.22
Totals		6,213.59	78,158.30	6,689.81	54,996.22

#### 14. FAIR VALUES AND RISK MANAGEMENT

The Company's financial instruments consist of cash, trade and other payables, and loans payable. Cash is measured at fair value based on Level 1 input of the fair value hierarchy. The fair value of trade and other payables and loans payable approximate their carrying values.

The Company is exposed to financial risks arising from its financial assets and liabilities. The Company manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Company are:

##### a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party, by failing to discharge an obligation. The Company's cash is exposed to minimal credit risk. The credit risk on cash is low because the counterparties are highly rated banks.

##### b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is exposed to minimal interest rate risk as the Company invests cash at floating rates of interest in highly liquid instruments, when applicable.

##### c) Liquidity Risk

Liquidity risk is the risk related to the Company encountering difficulties in meeting obligations associated with financial liabilities. The Company's trade and other payables and loans payable are all current. The



Company ensures that it has sufficient capital to meet short term financial obligations after taking into account its cash on hand.

Cartaxo, May 17, 2018

**Official Accountant**

*Pedro Rodriguez*

**Board of Directors**

*Antonio de la Cruz*  
*Director*