

FAIRPHONE

Investment sheet



Make your money matter – invest in change

1 Fairphone investment sheet

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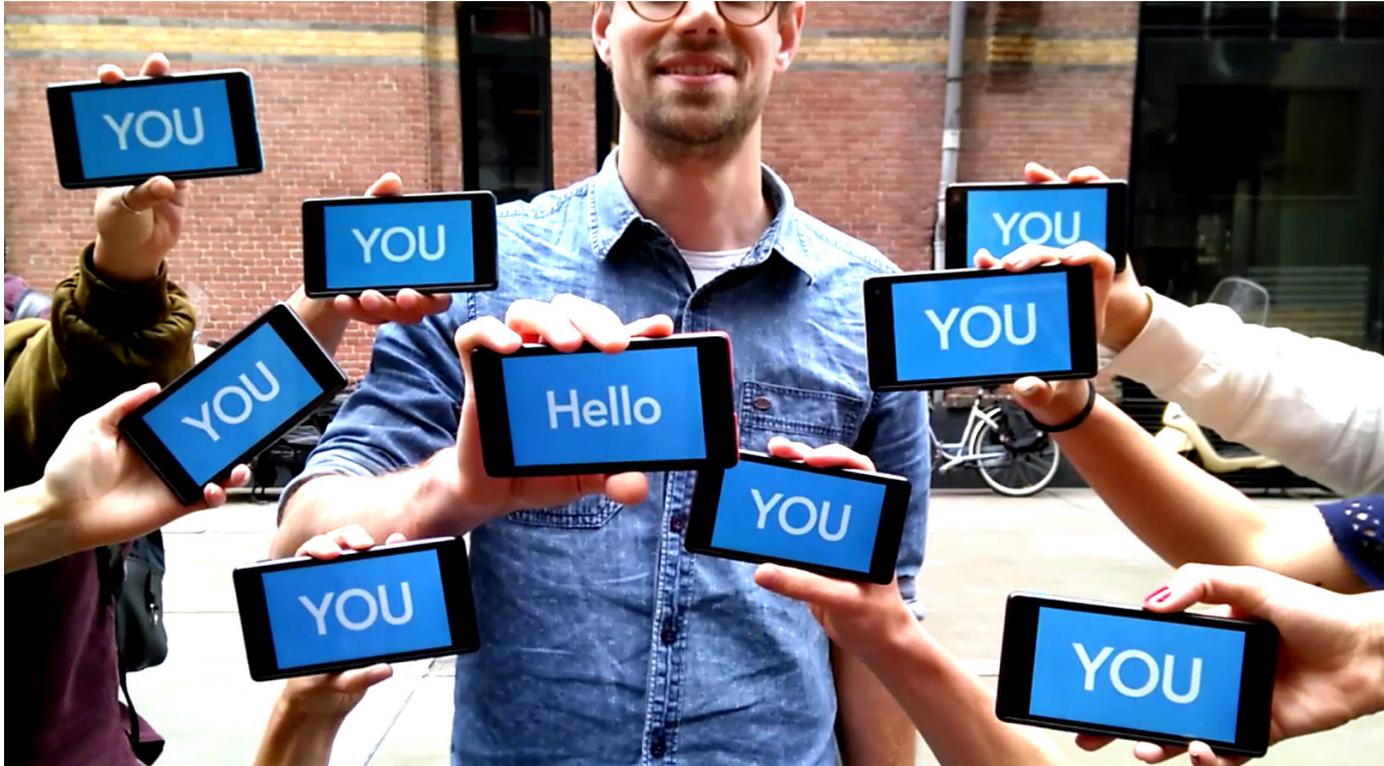
1.1 Overview

Company name:	FairPhone BV
Website:	www.fairphone.com
Contact:	Bas van Abel
Financing product:	Shares, by means of a convertible loan
Target amount (minimum):	€1,000,000
Maximum amount:	€2,500,000
Discount on price of shares:	0% upon conversion within 3 months, 5% after 3 and within 6 months, 15% after 6 months and within 1 year, 30% after 1 year
Interest:	5%
Oneplanetcrowd investor fee:	0.2% per quarter (0.8% annually) over the outstanding loan amount. This amount will automatically be deducted from the quarterly installments from the company to the investor i.e. this is a fee applicable to the investor.



Oneplanetcrowd considers it advisable to invest no more than 10% of your freely available capital in crowdfunding projects and to spread your risk by dividing the 10% across at least 10 projects.

We refer to the end of this investment sheet for information about this convertible loan and the financial risk involved.



Fairphone began life in 2010, when Waag Society's Creative Director Bas van Abel helped shape a campaign to make people more aware of the ethical issues related to phone manufacturing. Drawing on his background as a designer and maker, van Abel knew that to improve the electronics industry, a market for ethical products must be established. Thus, in 2013, the Fairphone 1 was born.

Five years later, Fairphone has sold over 150,000 phones, is the highest ranking electronics brand on sustainability in the entire industry, and has built the Fairphone 2, the first ethical, designed-to-last smartphone on the planet. Public awareness and interest in Fairphone is growing explosively. By focusing on long-lasting design, fair materials, good working conditions and circular thinking, the concept and products of Fairphone have become widely known around the planet.

Now, Fairphone is ready to scale up to continue disrupting – and inspiring – the electronics industry. By investing, you can increase our momentum and become co-owner of a growing company that's making fair electronics a reality.

We've got big ambitions for the coming years. We are developing a new product and by 2020, we want to expand the current base of 150,000 Fairphone owners to over half a million. We want to continue making more materials in your phone fair. And we want to invite you to join us on that mission to write history together.

The Fairphone team

We are a team of 70 people, from 25 countries, speaking 17 different languages.



Executive board

Name	Title	Background
Bas van Abel	CEO	Founded Fairphone in 2013, driven by his passion to change the relationship between products and people
Eva Gouwens	Managing Director	Former First Lady of Chocolate of Tony's Chocolonely, led the company from a start-up to currently €40+ million market leader in the Netherlands

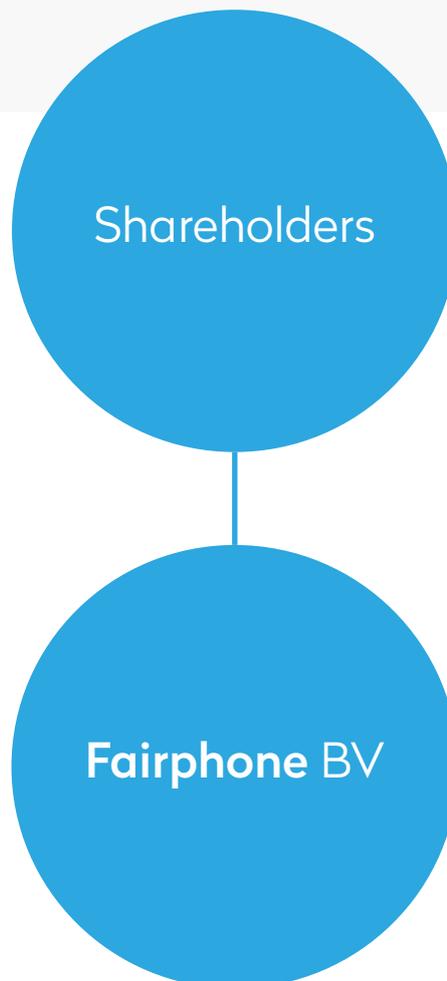
Meet our management team

Name	Title	Background
Olivier Hebert	CTO	Fifteen years of both hands-on and management experience in the mobile phone industry, from hardware to software
Allard Boer	Finance Director	Sixteen years of international experience in financial leadership positions in both B2C (consumer electronics) and B2B (healthcare)
Monique Lempers	Commercial Director	Passionate commercial leader with experience at large businesses in both the electronics and metal industries
Alexandra Velali	Operations Director	Experienced supply chain manager within the consumer electronics industry
Laura Gerritsen	Head of Value Chain	Founding team member with a background in international development

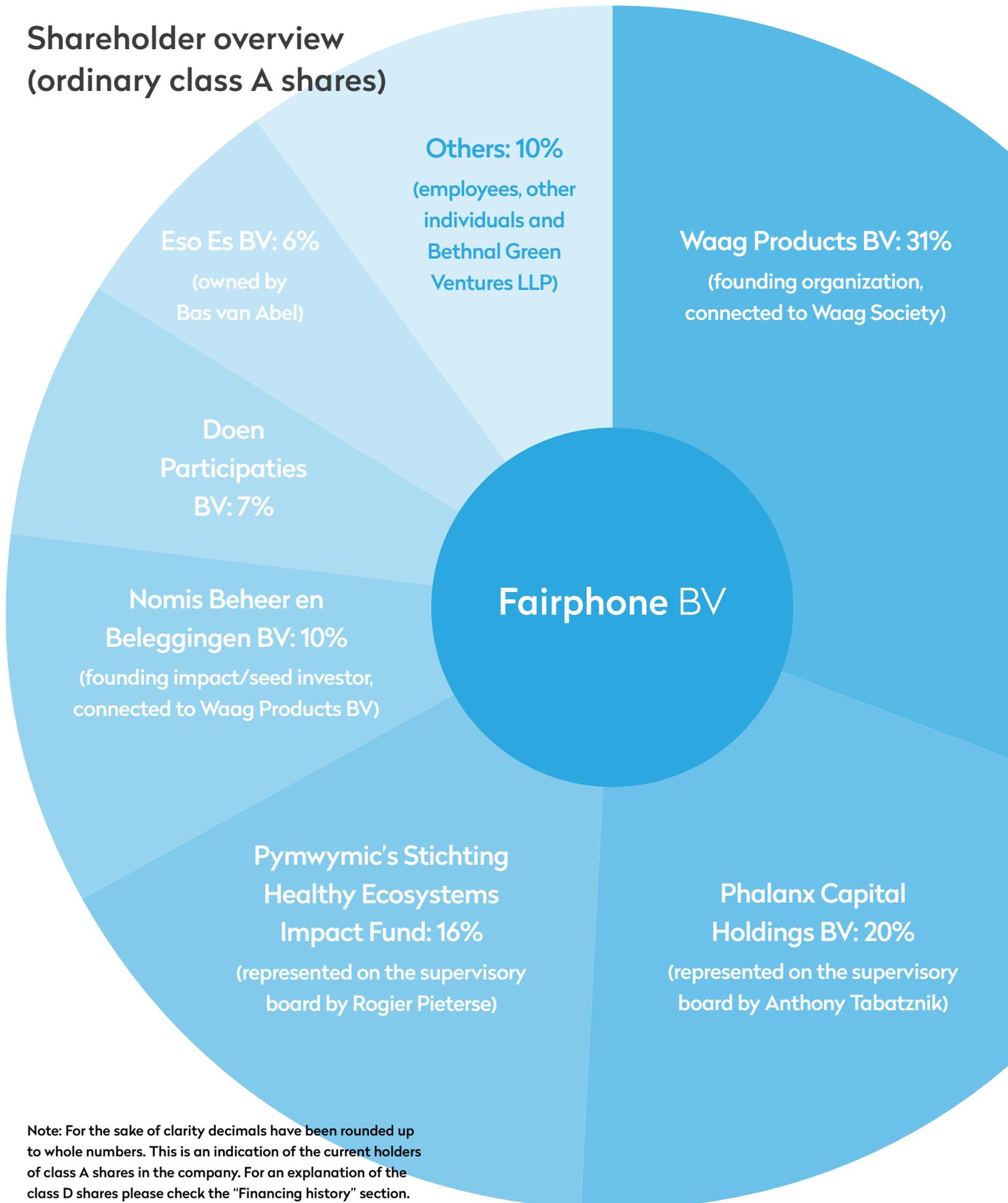
A seasoned supervisory board

Name	Background
Josephine de Zwaan	Experienced supervisory board member for various profit- and non-profit organizations, including the Foundation for the Administration of Triodos Bank Shares
Rogier Pieterse	Experienced impact driven investment banker
Anthony Tabatznik	Impact investor and human rights philanthropist, founder of Bertha Foundation , fighting to bring about social and economic justice and equal rights for all
Ted van der Put	Experienced sustainability and supply chain professional in the electronics industry

Legal structure:



Shareholder overview (ordinary class A shares)



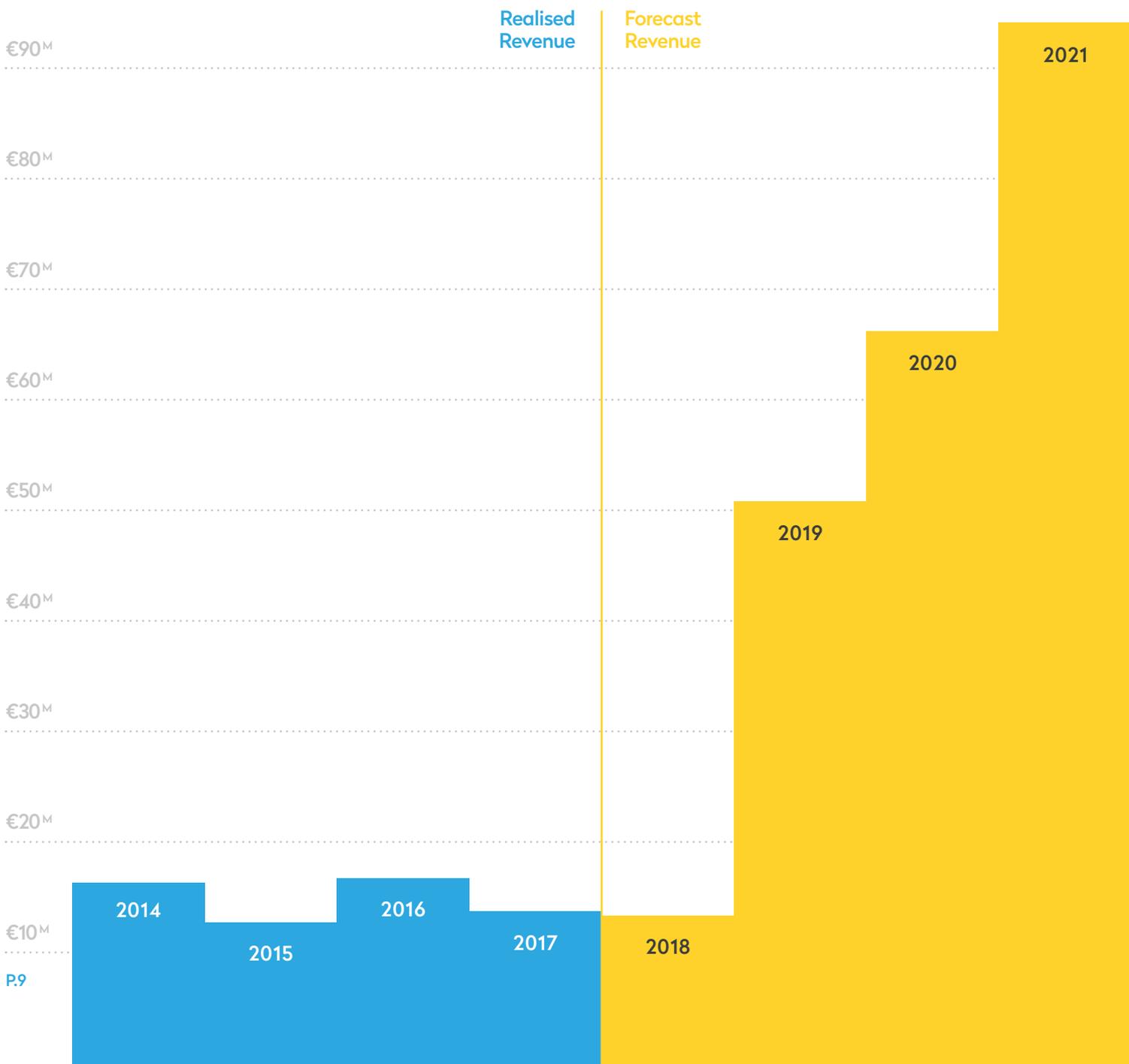
Note: For the sake of clarity decimals have been rounded up to whole numbers. This is an indication of the current holders of class A shares in the company. For an explanation of the class D shares please check the "Financing history" section.

1.4 Explain your company's financial position

In 2017, Fairphone recorded over €13 million in revenue, of which 68% originated from indirect and B2B (business to business) sales and 32% was generated through our webshop. Indirect sales channels include telecom operators, like Orange and T-Mobile, and retailers such as Digitec Galaxus AG in Switzerland. Since we launched the Fairphone 2 in 2015, Fairphone has consistently sold more than 20,000 phones per year. All revenues were recorded in Europe, primarily in Germany, Switzerland, and France.

Compared to 2016, the 2017 and 2018 sales are heavily impacted by severe supply constraints. Due to the lack of product availability, we were forced to minimize our marketing and sales efforts, close the webshop for long periods of time and stop onboarding new indirect sales partners. All supply issues have since been resolved and we are now ramping up marketing and sales activities again. In parallel we are developing a new product to support our future growth.

Fairphone's expected unit sales of 285,000 smartphones per year (in 2021) would account for only 0.7% of the total addressable market in Western Europe.



Income statement

x €1,000	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	16,014	12,475	16,478	13,572	13,097	50,817	66,279	94,452
Cost of goods sold	13,249	9,101	13,896	10,373	9,583	35,594	47,422	67,906
Gross margin	2,765	3,374	2,582	3,199	3,513	15,223	18,858	26,545
Personnel cost	1,694	2,024	3,169	3,941	4,878	5,545	6,047	6,526
Marketing & communication	324	271	419	n/a	851	2,134	2,784	3,967
Value chain*	n/a	n/a	n/a	n/a	782	594	904	1,034
Other cost	594	988	935	1,347	1,885	2,364	2,366	2,367
EBITDA	152	91	-1,941	-2,089	-4,883	4,586	6,757	12,652

* Value chain costs (including sourcing fairer materials) are not specified in the historic financials

Growth projections

In past years, demand for Fairphones has outpaced supply – partly due to the previously mentioned supply issues in 2017 and the first half of 2018. Now that product availability has stabilized, Fairphone is pivoting towards being a more marketing- and sales-driven organization (thus far our phones have been sold with limited formal marketing and sales). While we are scaling up and professionalizing our marketing and sales efforts, we will continue to grow in our existing market and channels, while selectively entering new regions.

Indirect and B2B sales are of growing importance for our revenue. Indirect sales is a combination of sales via telecom operators and retailers. B2B sales is procurement by large organisations. Our projected revenue from 2019 onwards will grow rapidly, to be made possible by new product introductions, increased marketing and sales efforts and new business models like Fairphone as a Service. In 2019, approximately 70% of overall revenue is expected to come from indirect and B2B sales, while the remaining portion will come directly through Fairphone's webshop. By 2021, indirect and B2B sales are expected to account for 80% of all revenue.

Balance sheet on 01-04-2018*

Assets (x €1,000)	2017	2018 Q1	Liabilities (x €1,000)	2017	2018 Q1
Intangible fixed assets	241	179	Shareholders' equity	4,885	3,751
Tangible fixed assets	284	237	Provisions	1,575	1,529
Inventories and work in progress	3,113	3,862	Long-term liabilities	-	-
Receivables**	4,977	3,628	Accounts payable	1,820	1,196
Cash and cash equivalents	903	3,105	Taxes and other liabilities	1,238	4,535
Total:	9,518	11,011	Total:	9,518	11,011

*The accounts of 2017 are in the process of being audited by our auditor RSM.

**30% of the Fairphone 2 cost price is downpaid to the manufacturer which is reflected in relatively high receivables.

In 2017, Fairphone switched accounting principles to Dutch GAAP, and the 2017 financial statements will be the first to reflect this change. At the time of writing this document, the company has no bank debt or other long-term liabilities.

1.5 Financing history

Until 2016, Fairphone has largely been financed by the founding shareholders, bank loans (which have been completely repaid) and by using funding means from its own operations.



2016 Round

In 2016, Fairphone received its first external equity investment, amounting to €6.25 million from a new major impact investor (Phalanx Capital Holdings BV), to strengthen its operational capabilities and engineering support for Fairphone 2.

2017 Round

During 2017, existing shareholders and two new impact investors (Pymwycim's Stichting Healthy Ecosystems Impact Fund and Doen Participaties BV) invested a total of €6.5 million to finance the expansion of the distribution network and improve product availability, which unfortunately took longer than expected.

Financing structure during the 2016 and 2017 rounds

During the 2016 and the 2017 investment rounds, investors have received ordinary shares for their contribution. Exceptionally, preferential shares have also been issued to founders and a limited number of investors.

A total of 598 preferential shares have been issued, each holder of such share being entitled to a repayment of €10,000 per share by Fairphone. The total value that Fairphone has to repay on all the issued preferential shares is €5.98 million.

The repayment is made through annual preferential distributions of up to 30% of the net profit. The first five years from issuance are free of interest. After five years lapse, interest in the form of a preferred dividend starts accumulating on their nominal value (5% multiplied by the consumer price index). Once the preferential shares are fully repaid, they will be canceled.



€2.5 million convertible loan in Q1 2018

In the first quarter of 2018, Fairphone received funding in the form of a convertible loan agreement of €2.5 million from Phalanx Capital Holdings to improve the availability and lifespan of spare parts, as well as the overall support for Fairphone 2, in line with its mission and commitment to a longer-lasting smartphone.

This loan bears an interest rate of 3% if repaid by 31 December 2018 and 7% if repaid after this date. It provides the option, at Phalanx Capital Holdings' choice, to either be kept as a loan, or to be converted into shares in case of a potential upcoming equity investment into Fairphone. Fairphone is free to repay the loan at any time, either in full or in part.

The conversion will happen under the following terms:

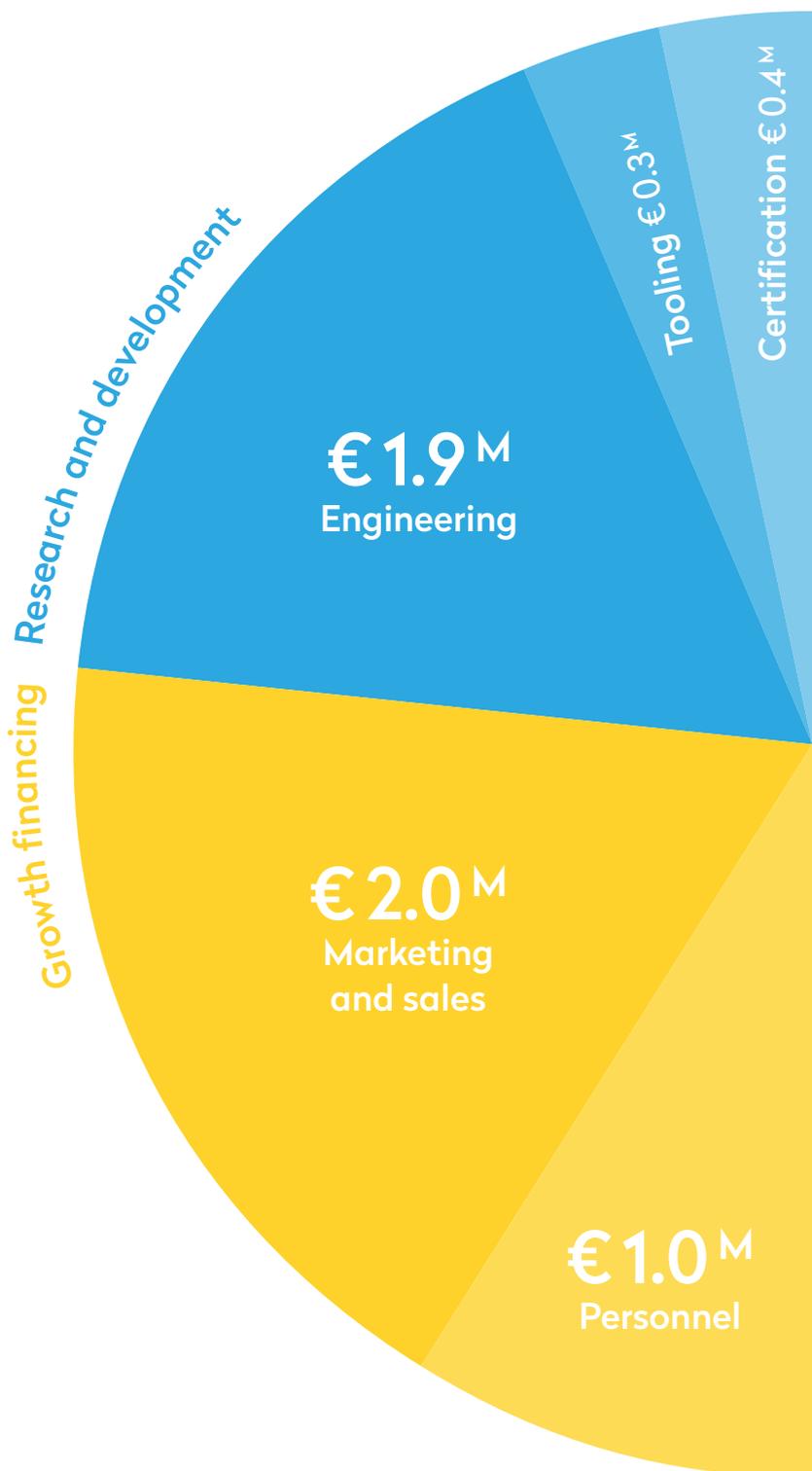
- (i) In case Phalanx chooses to convert with an investment round that closes on or before 31 December 2018, the loan converts with a 20% discount over the price that a new investor pays for the shares;
- (ii) In case Phalanx chooses to convert with an investment round that closes after 31 December 2018, the loan converts with a 20% discount over the price paid for the shares by any investor in a 2018 or 2019 round, or at the price paid in the investment round that closed on 10 August 2017.

Scaling up our business to scale up our impact

In order to scale up our business, Fairphone seeks to raise between €5.5 and €6 million in capital. Through crowdfunding, Fairphone intends to raise €1 to €2.5 million. The remainder of the required capital will be raised from professional impact investors.

In addition to this investment round, Fairphone is preparing to attract bank financing to fund its working capital (pre-payments towards manufacturing partners and inventories). The working capital financing will be approximately €10 million over the course of three years (until the end of 2021). In preparation, Fairphone is also exploring a 60% guarantor scheme from the Dutch government for this bank financing. Although formal approval still needs to happen, initial feedback is positive and it is confirmed we fall within the required mandate.

The total equity investment sum of €5.5 to €6 million will be used to further increase Fairphone's impact by focusing on two main areas:



Growth financing

As part of the equity investment, €3 million will be reserved to grow our team and scale up our marketing and sales efforts. We are growing our team to strengthen the organizational backbone that supports our growth ambitions for the coming years. This means we are scaling up all our departments, from finance to operations. Our marketing and sales efforts will focus on both the European markets where we are already established and the relatively untapped markets of Scandinavia and Southern Europe.



Marketing and sales include:

1. **Market outreach** - Until now, Fairphone's marketing strategy has mostly relied on free publicity. By investing in market research and analysis, in combination with data-driven targeted campaigns on both direct and indirect sales channels, we aim to increase our marketing performance and attract new customer groups. In that context we will also (further) develop online advertising and retargeting, and offline Point-of-Sales materials, training and activation, in partnership with telecom operators and retailers.
2. **Sales operations** - In order to support the significant projected sales increase via both our direct and indirect sales channels, Fairphone will invest in new IT systems to better control delivery planning, material tracking and costs. We will improve our after-sales services to both our B2C and B2B customers by optimizing our reverse logistics, repair and recycling processes. This is core to successfully optimizing support for longer use and re-use of the Fairphone.
3. **Fairphone as a Service** - With Fairphone as a Service, customers (both B2C and B2B) are offered access to devices, maintenance and take-back of devices for a fixed monthly fee. Fairphone will retain ownership of the devices, which allows us to deploy circular strategies such as maintenance, repairs, refurbishment and recycling to prolong the lifetime of devices and optimize value creation. We have already signed a Fairphone as a Service pilot agreement with the City of Amsterdam and want to further develop this business model.

In 2017 and the first half of 2018, Fairphone has invested in expanding its production volumes and distribution network, which we will continue to do moving forward. This provides the launch pad for our investments in growth.

Research and development

Fairphone is setting new standards and pushing boundaries in the industry. Continued investments in research and development give us the ability to keep improving the supply chains of more and more materials in our phones. We have allocated €1.9 million of the equity investment to engineering activities, to work on both new product development and supply chain improvements. As a key material for the energy revolution (because it's in batteries!), we are for instance working on making a fair cobalt supply chain. An additional €0.7 million is reserved for tooling and certifications for our new product.



The rise of the conscious consumer

From organic cotton to slave-free chocolate, the era of the conscious consumer has well and truly begun. In the smartphone and electronics market, there is only one company with an activist and impact-driven approach offering a product to this growing group of conscious consumers: Fairphone.

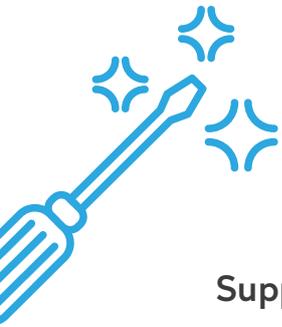


Creating fairer electronics is complex. There are sustainability challenges throughout the entire supply chain: mines in conflict areas, unfair working conditions at manufacturing sites, unrepairable designs that don't survive even current trends and huge amounts of e-waste dumped in developing countries, with only a small fraction being safely recycled. Sourcing a fair banana might be complicated, but creating fair electronics is a tremendous challenge that can only be completed one step at a time.

Our company model builds upon the transformative power of ethical business, using our operations to develop initiatives that bring positive impact across the supply chain. Our vision is to provide a more sustainable alternative to the status quo, based on circular economy principles.

Together with our 150,000 users, we create change in the industry – and invite you to join us to expand our impact!

Our achievements since 2013:



Supporting Fairphone 2 owners with spare parts and software updates to help their phones last longer

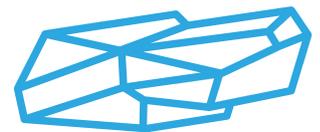


Launched worker welfare and satisfaction programs with manufacturing partners in China



Collected 10 tons of scrap phones from Ghana and neighbouring countries for safe recycling

Grew to a community of 150,000 users and created two models, including the first modular smartphone on the market



Set up traceable supply chains for conflict-free tin, tantalum, tungsten and Fairtrade gold