

Q3 2021 FINANCIAL REPORT



Safetech Innovations S.A.,
company listed on MTS-AeRO
market of the Bucharest Stock
Exchange



SAFETECH
INNOVATIONS

BVB: SAFE

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Disclaimer: The financial figures presented in the descriptive part of the report that are expressed in million lei (RON) are rounded off to the nearest integer and may result in small reconciliation differences.

ISSUER INFORMATION

INFORMATION ABOUT THIS FINANCIAL REPORT

Type of report	Quarterly Report, Q3
For financial period	9M 2021: 01.01.2021 – 30.09.2021 Q3 2021: 01.07.2021 – 30.09.2021
Report publishing date	08.11.2021
According to	Annex 13 of ASF Regulation 5/2018

ISSUER INFORMATION

Issuer's name	Safetech Innovations S.A.
Fiscal code	28239696
Trade registry number	J40/3550/2011
Registered office	Strada Frunzei nr. 12-14, sector 2, Bucharest

INFORMATION ABOUT FINANCIAL INSTRUMENTS

Subscribed and paid-up share capital	3,125,000 lei
Market on which the securities are traded	MTS AeRO Premium
Total number of shares	15,625,000 shares
Symbol	SAFE

CONTACT DETAILS FOR INVESTORS

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Website	www.safetech.ro

The interim financial results as of September 30th, 2021 presented on the following pages are **audited**.

LETTER FROM THE CEO

Dear Shareholders,

We are presenting to you today the results for the first 9 months of 2021: operating revenue of 19 million lei (+81% year on year increase), turnover of 13.1 million lei (53% increase year-on-year) and a net profit of 2.2 million lei (+153% increase year-on-year).

Historically, the largest turnover as well as profit was always generated in Q4 of each year, in line with the general cyclicality of the business in the IT sector. Therefore, as we target turnover of 23.5 million and a net profit of 5.7 million lei for full year, we are ready for a busy end of this year, which will bring historical results for Safetech. The premises are good, and we have already registered an uptake in requests in October 2021.

The demand for our services in Q3 2021 evolved in line with the previous quarters, with the biggest demand being for monitoring services, maintenance and implementation of security solutions, as well as security audit and testing. The first nine months of 2021 were dynamic. We have expanded our portfolio with 16 new clients since the beginning of the year and we continue to gain more and more recurrent contracts with our existing clients.

Throughout Q3 2021, we continued our process of expanding our geographical footprint and reaching out to new markets through different partnerships. Currently we are in the process of building our exposure in this manner on the US, Middle East and North Africa as well as Japanese markets.

For the US market, in september 2021, we received the confirmation of activation in the SAM platform (System for Award Management), owned and operated by the Federal Government of the United States of America, thus becoming a provider of cybersecurity services and solutions for the US government agencies and contractors. The SAM platform allows the identification of suppliers based on defined criteria such as specialization, size, location, experience, ownership structure, etc. Receiving this certificate is an important step in our plan to expand our services in the US market.

Also, in October 2021, informs we concluded a Memorandum of Understanding with GreenGate Co. General Trading and Commercial Agencies – Sole Proprietorship LLC, based in Abu Dhabi, former G20 Co. General Trading and Commercial Agencies, under the patronage of His Excellency Dr. Mubarak Hamad Marzouq Alameri. This partnership offers us the opportunity to operate in an environment with cybersecurity opportunities and challenges in the MENA - Middle East & North Africa region. We are confident that the project will contribute to increasing the number of external clients resulting in an increase in turnover and profit starting with 2022.

Regarding Japan, also in October 2021, we have engaged in discussions with Japan External Trade Organization (JETRO), a Japanese government-related organization that promotes mutually beneficial trade and investment relations in order to promote Safetech and our services offering to Japanese companies. We look forward to forming even more partnerships like this in the future, in order to further increase our presence across the globe.



This brings me to the topic of expanding our geographical footprint through subsidiaries in UK and the USA, the step which was approved in our EGSM from July 2021, together with the approval to carry out the share capital increase operation. Last week we have received the approval from the FSA on the prospectus and consequently today, we will publish the prospectus for the share capital increase together with the calendar for the operation. As we have already informed the market through a current report, for Stage 1, the price per has been established at 10.4171 lei/share. The price includes the share nominal value (0.2 lei) and the issue premium (10.2171 lei). To purchase one new SAFE share at the above price, investors will need 15.625 preference rights with rounding off to the nearest inferior natural number.

The trading period of preference rights will run between 12 and 25 november 2021, while Stage 1 of subscriptions will take place from December 6th, until January 5th, 2022. We look forward to starting this process because we want as soon as possible to start the process of establishing a subsidiary in the UK and beginning our expansion plans. We thank you in advance for supporting us in this process and we are confident it will bring a lot of growth to Safetech's business, thus benefitting all the shareholders.

We invite you to read in more detail about Safetech's performance in the first nine months of 2021 on the following pages. In case of any questions related to our activity since the beginning of the year, be it business or on capital markets, please do not hesitate to reach out to us at investors@safetech.ro.

Victor Gânsac

ABOUT SAFETECH INNOVATIONS

Safetech Innovations is a unique company on the Romanian market, offering a complete range of cybersecurity solutions and services. Throughout its history, the company has specialized in integrating complex cybersecurity projects. Safetech's mission is to develop innovative cybersecurity services and solutions that meet the needs of any organization. Safetech's motto is to use human and cyber intelligence to help businesses thrive in uncertain times. Safetech uses applied cybersecurity information: a framework perceived as a hybrid system in which its experts combine both artificial and human intelligence, while protecting businesses, companies reputations, jobs, business prospects and providing a safer future for everyone.

Safetech Innovations is recognized, both locally and internationally, for its well-trained and certified staff, innovative research programs, as well as unique expertise and experience in solving the most complex cybersecurity issues. Safetech offers a unique solution in Romania - a "one-stop shop" for cybersecurity, able to help organizations increase their resilience and solve any cybersecurity problems that can arise. Safetech engineers are competent in the field of cybersecurity and have expert skills in the following areas:

- Testing and security audits;
- Information security and risk management;
- Implementation of organizational and technical controls to address information security risks and / or compliance with applicable data protection regulations;
- Critical infrastructure security (ICS / SCADA);
- Monitoring and response to cybersecurity incidents.

Safetech Innovations had on September 30th, 2021, 48 full-time employees, an increase of 5 new employees compared to the same period of previous year.

KEY EVENTS IN Q3 2021 AND AFTER CLOSING REPORTING PERIOD

RECEIVING CIIF FROM ASF FOR SHARE CAPITAL INCREASE

On July 17th, Safetech Innovations received the Certificate of the Registration of Financial Instruments (CIIF) from the Romanian Supervisory Authority that certifies the registration of share capital increase with 12,500,000 new shares that were issued following Resolution of the Extraordinary General Meeting of the Shareholders of Safetech Innovations from 16.04.2021. Following the registration with the Central Depository, on July 21st, the shareholders received in their trading accounts free shares, in proportion of four (4) newly issued shares for every (1) share held. Pursuant to the share capital increase, Safetech Innovations S.A.'s share capital of 3,125,000 lei is divided into 15,625,000 nominative shares with a nominal value of 0.2 lei per share.

SIGNIFICANT CONTRACT

On July 22nd, Safetech Innovations signed a significant contract for the provision of cybersecurity solutions and services to an undisclosed party. The value of the addendum to the framework agreement is 520,000 EUR and the contract is due on December 5th, 2024.

GENERAL MEETING OF SHAREHOLDERS ON 22.07.2021

On July 22nd, the Extraordinary General Meeting of Shareholders of Safetech Innovations took place. The legal and statutory quorum for the meeting was constituted at first convocation.

During the AGA, the shareholders have voted in favour of increasing the share capital of the Company with the amount of 200,000 RON, by issuing a maximum number of 1,000,000 new shares, each with a nominal value of 0.2 RON / share. The share capital increase is made in order to expand the issuer's activity, by establishing two new companies in the United Kingdom of Great Britain and Northern Ireland and in the United States of America, entities that will be responsible for promoting and selling Safetech Innovations solutions and services on foreign markets. The registration date for the share capital operation was 31.08.2021, ex-date 30.08.2021 and 01.09.2021 was the date when the preference rights were loaded in the shareholder's accounts. The same AGA also approved the setting up of two companies, one in UK and another one in the USA, partially owned by the Company, as an associate with an ownership of at least 67% in the share capital.

RECEIVING CYBERSECURITY AUDITOR ACCREDITATION

On August 26th, Safetech Innovations received the accreditation of Cybersecurity Auditor for the essential entities, based on Law 362/2018 on ensuring a high common level of security of networks and information systems from the National Centre of Response to Cybersecurity Incidents (CERT-RO). CERT-RO is the competent authority at the national level for the network and information systems security.

Consequently, Safetech Innovations has been registered in the National Register of Cybersecurity Auditors, IDASC: QC-2B1721, with a validity period between 26.08.2021 and 25.08.2024. Moreover, 10 employees of Safetech Innovations S.A. received individually the accreditation of Cybersecurity Auditor. Following the receiving of the accreditation, the management estimates a significant increase in revenue on the audit and information security risk assessments business line.

GAINING STATUS OF A PROVIDER FOR THE US GOVERNMENT AGENCIES AND CONTRACTORS

On September 22nd, 2021, Safetech Innovations received confirmation of activation in the SAM platform (System for Award Management), owned and operated by the Federal Government of the United States of America, thus becoming a provider of cybersecurity services and solutions for the US government agencies and contractors. The SAM platform allows the identification of suppliers based on defined criteria such as specialization, size, location, experience, ownership structure, etc.

For the registration in the SAM platform, in August 2021, the Company updated its NCAGE code, for the identification of economic agents within the NATO Coding System (NCS), following the change of the company's name after listing on the Bucharest Stock Exchange.

CONCLUSION OF A MEMORANDUM OF UNDERSTANDING

On October 7th, Safetech Innovations S.A. concluded a Memorandum of Understanding with GreenGate Co. General Trading and Commercial Agencies – Sole Proprietorship LLC, based in Abu Dhabi, former G20 Co. General Trading and Commercial Agencies, under the patronage of His Excellency Dr. Mubarak Hamad Marzouq Alameri.

The Memorandum of Understanding envisages Safetech Innovations S.A. to implement cybersecurity services and solutions to customers in the Middle East and North Africa, represented by GreenGate Co. General Trading and Commercial Agencies. Moreover, under the Memorandum of Understanding, Safetech Innovations S.A agreed to initiate, manage, and build relationships with government agencies, ministries or companies in the United Arab Emirates together with GreenGate Co. General Trading and Commercial Agencies.

SHARE CAPITAL INCREASE - ESTABLISHMENT OF THE PRICE PER SHARE

On September 21st, Safetech Innovations has announced the establishment of the subscription price for newly shares issued within the share capital increase operation, approved by the Extraordinary General Meeting of Shareholders ("EGMS") held on 19.07.2021.

Therefore, the price per share on which the holders of the preference rights will be able to subscribe in Stage 1 of the share capital increase has been established at 10.4171 lei /share. The price was calculated as the weighted average trading price calculated for the last 30 days prior to the date of submission of the offer prospectus for approval by ASF, to which a 25% discount is applied. To subscribe a new share, 15.625 SAFER01 preference rights are required, with rounding off to the nearest inferior natural number.

The newly issued shares that remained unsubscribed at the stage of exercising the preference rights, will be offered to a maximum number of 149 investors in Stage 2 at a price of 10.9380 lei /share.

Below the investors can find the detailed timeline for the share capital increase operation, as approved by the ASF.

Event	Date
Trading of preference rights SAFER01	12.11.2021 – 25.11.2021
Stage 1: subscriptions based on preference rights	06.12.2021 – 05.01.2022
Stage 2: private placement for remaining shares	19.01.2022 – 02.02.2022, with the option of a pre-closing

ANALYSIS OF THE FINANCIAL RESULTS

P&L ANALYSIS

In the first 9 months of 2021, Safetech generated operating revenue of 19 million lei, an 81% increase compared to the same period of last year. The turnover amounted to 13.1 million lei, a 53% increase driven by an increased demand for monitoring, security maintenance and solution implementation as well as audits and security testing. Cybersecurity services contributed to 52% of the total turnover, cybersecurity solutions implementation with 47% while the sale of goods equalled to 1% of the total turnover. The increase in the turnover has been driven by contracts from existing clients but also by the sales generated to new clients and is primarily represented by the recurring contracts, signed for medium-term (on average 3 years). Since the beginning of this year, Safetech Innovations gained 16 new clients, from both Romania and abroad.

The item "Income from the production of intangible and tangible fixed assets" represents investments in intangible assets made from European funds and the company's funds, more specifically the development of Safetech's own product, which will be put into operation at the conclusion of the project, respectively June 2023. This position grew 237% in first nine months of 2021 compared to the same period of last year due to the new EU grant project accessed by Safetech Innovations in June 2020, with a 3-year implementation period. The project is for "Center of Excellence for Cybersecurity and Critical Infrastructure Resilience (SafePIC)" and it aims to increase Safetech's CERT response capacity to cybersecurity attacks and incidents.

Other operating income increased marginally, by 1%. Major share of these revenues represents the investment subsidies transferred to income, corresponding to the registered amortization of the own solution (non-reimbursable funds project, completed in 2019).

Other operating expenses grew marginally slower than the revenues, increasing 75% compared to the same period of 2020, with material expenses and personnel expenses being the key contributors. Material expenses increased by 98%, reaching 5.7 million lei. These expenses are directly linked to the turnover, as they include the cybersecurity solutions that are resold by Safetech, together with the added value generated by Safetech teams. There is also a proportion of material expenses that include the acquisitions made withing the EU funds project.

Personnel expenses increase 34% year-on-year, reaching 5.6 million lei in costs for the first nine months of 2021. The increase in these expenses is the result of growing the team with 5 new full time employees, from 43 FTE as of 30.09.2020, to 48 FTE as of 30.09.2021. Moreover, as part of standard policy to remain competitive employer, the company has increased the salaries during 2021 in order to retain the best talent, thus further impacting the personnel expenses.

Other operating expenses, which mainly include expenses with subcontractors and service providers, rental expenses, insurance as well as expenses with telecommunications (telephone, internet), increased by 95% reaching 2.7 million lei as a direct result of increasing the size of the business compared to the same period of last year. Part of the expenses included in this category also includes the expenses covered under the EU funding project.

Depreciation and amortization had the most significant increase compared to same period of last year, of 233%, reaching 2.1 million lei for first nine months of 2021. This increase is also directly linked to the EU R&D project, which has a development component of acquisition of fixed assets necessary to carry out the activity with the aim of increasing the company's competitiveness (servers, laptops, furniture, monitors, but also solution for automatization of processes). These items were purchased and put into operation in 2021. Being fixed assets, their cost is covered under the monthly depreciation.

Safetech Innovations ended first nine months of 2021 with an operating result of 2.8 million lei, an increase of 129% compared to the same period of 2020. Financial income reached 7.5K lei, while financial expenses decreased 59%, reaching 68K lei due to the company repaying some of its existing bank debt at the end of 2020. As the financial result improved 60%, the gross result reached 2.8 million lei, a 155% year-on-year increase. The taxes due increased 162%, in line with the increase of the gross result reaching 519K lei, resulting in the bottom line of 2.2 million lei, a 153% increase year-on-year.

PROFIT & LOSS STATEMENT (LEI)	9M 2020	9M 2021	Δ %
Operating revenue	10,508,141	19,042,898	81%
Operating expenses	9,270,585	16,214,369	75%
Operating result	1,237,556	2,828,529	129%
Financial result	(150,702)	(60,103)	60%
Gross result	1,086,854	2,768,426	155%
Net result	888,735	2,249,028	153%

BALANCE SHEET ANALYSIS

Total assets reached 28.1 million lei, a moderate 19% increase driven by a 144% increase (8.1 million lei) in fixed assets but offset by a 20% decrease (3.5 million lei) in current assets.

Fixed assets increased in the first nine months of 2021 144%, reaching 13.7 million lei, driven by 129% increase (6.6 million lei) in intangible assets put into operation and in progress and 315% increase (1.5 million lei) in tangible asset. The increase in intangible assets is directly related to the SafePIC project. In accordance with the accounting legislation in force, these expenses are recorded as intangible assets in progress and represents the stage of implementation of the company's own product.

The current assets decreased 20%, reaching 14.3 million lei, primarily due to 25% decrease in the receivables, respectively of the non-reimbursable amounts that were used within the SafePic project. The trade receivables increased 27% as a direct result of growing scale of the business, while other receivables decreased 34%. Other receivables represent the amounts that are still to be collected under the non-reimbursable funds project. Cash and cash equivalents increased 65% compared to the situation as of same period of last year, however quarter on quarter, the cash position has decreased with 0.8 million lei. This capital was used for the carrying out of the non-reimbursable funds project. This amount will be collected after the submission and the approval of the reimbursement request to the relevant agencies.

Total liabilities decreased by 9%, approximately 2 million lei, reaching 20.1 million lei as of 30.09.2021. Total liabilities also include the non-reimbursable amounts related to the SafePic project (they are accounted as income in advance) and are reduced by the monthly amortization associated with the tangible and intangible investments made. The current liabilities decreased by 12%, driven primarily by a 55% decrease in the bank debt, which was slightly below 1 million lei as of September 30th, 2021. On the other hand, other short-term debt increased by 25%, reaching 3.9 million lei. Other short-term debt represents the advance received from the non-reimbursable funding project for which the justification is submitted 90 days from the receipt of the amount, the obligations towards the state budget (VAT, salary taxes, profit tax) and the net salaries due for the month of September.

Income in advance decreased slightly, with 7%, reaching 14,4 million lei. The income in advance is primarily represents the income from subsidies – reflecting the EU grant receipt, received in June 2020.

Equity grew 459% because of significant increases in subscribed and paid-in capital (+525%), share premiums (+100%) and legal reserves (+156,150%) – all due to the booking of the capital raised during private placement for SAFE shares which took place in October 2020, ahead of the company's listing on AeRO market as well as the capitalization of part of the 2020 profits, which was registered in July 2021.

BALANCE SHEET (LEI)	9M 2020	9M 2021	Δ %
Fixed assets	5,603,868	13,678,463	144%
Current assets	17,760,805	14,280,588	-20%
Prepaid expenses	136,822	109,662	-20%
Total assets	23,501,495	28,068,713	19%
Current liabilities	6,420,562	5,647,766	-12%
Non-current liabilities	90,200	50,881	-44%
Income in advance	15,572,136	14,436,058	-7%
Total liabilities	22,082,898	20,134,705	-9%
Equity	1,418,597	7,934,008	459%
Total equity and liabilities	23,501,495	28,068,713	19%

FINANCIAL STATEMENTS

PROFIT & LOSS STATEMENT (LEI)	30/09/2020	30/09/2021	Δ %
Operating revenue, of which:	10,508,141	19,042,898	81%
Turnover	8,548,201	13,095,383	53%
Income from the production of intangible and tangible fixed assets	1,680,844	5,665,928	237%
Other operating revenue	279,096	281,587	1%
Operating expenses, of which:	9,270,585	16,214,369	75%
Material expenses	2,867,081	5,678,709	98%
Other material expenses	27,757	33,827	22%
Costs of water and energy	41,164	44,755	9%
Cost of goods	166,167	97,270	-41%
Personnel expenses	4,169,913	5,589,925	34%
Depreciation and amortization	631,186	2,103,441	233%
Other operating expenses	1,367,317	2,666,442	95%
Operating result	1,237,556	2,828,529	129%
Financial income	12,392	7,479	-40%
Financial expenses	163,094	67,582	-59%
Financial result	(150,702)	(60,103)	60%
Total revenues	10,520,533	19,050,377	81%
Total expenses	9,433,679	16,281,951	73%
Gross result	1,086,854	2,768,426	155%
Income tax	198,119	519,398	162%
Net result	888,735	2,249,028	153%

BALANCE SHEET

BALANCE SHEET (LEI)	30/09/2020	30/09/2021	Δ %
Fixed Assets, of which:	5,603,868	13,678,463	144%
Intangible assets	5,132,328	11,728,255	129%
Tangible assets	468,990	1,947,658	315%
Financial assets	2,550	2,550	0%
Current Assets, of which	17,760,805	14,280,588	-20%
Inventories	133,481	180,497	35%
Receivables	16,533,145	12,445,669	-25%
<i>Trade receivables</i>	2,400,705	3,050,887	27%
<i>Receivables with affiliated entities</i>	89,309	0	-100%
<i>Other receivables</i>	14,221,749,00	9,394,782	-34%
Cash and cash equivalents	1,004,870	1,654,422	65%
Pre-paid expenses	136,822	109,662	-20%
Total assets	23,501,495	28,068,713	19%
Current liabilities, of which:	6,420,562	5,647,766	-12%
Payables to suppliers	658,991	668,611	1%
Bank debt	2,227,296	995,248	-55%
Debt to shareholder	216,149	0	-100%
Financial leasing	132,946	40,751	-69%
Other short-term debt	3,185,180	3,943,155	24%
Non-current liabilities, of which:	90,200	50,881	-44%
Financial leasing >1 year	90,200	50,881	-44%
Income in advance, of which:	15,572,136	14,436,058	-7%
Income from subsidies	15,481,645	14,343,446	-7%
Total liabilities	22,082,898	20,134,705	-9%
Equity, of which:	1,418,597	7,934,008	459%
Subscribed and paid-up share capital	500,000	3,125,000	525%
<i>Share premium</i>	0	2,375,000	100%
Legal reserves	80	125,000	156150%
Other reserves	29,782	29,782	0%
Retained earnings	0	30,198	100%
Profit/(loss) for the period	888,735	2,249,028	153%
Total equity and debt	23,501,495	28,068,713	19%



KEY FINANCIAL RATIOS

Current ration as of 30.09.2021

$$\frac{\text{Current assets}}{\text{Current liabilities}} = \frac{14,280,588}{5,647,766} = 2.53$$

Debt to equity ratio as of 30.09.2021

$$\frac{\text{Borrowed capital}}{\text{Equity}} \times 100 = \frac{50,881}{7,934,008} \times 100 = 0.64\%$$

$$\frac{\text{Borrowed capital}}{\text{Employed capital}} \times 100 = \frac{50,881}{7,984,889} \times 100 = 0.64\%$$

Borrowed capital = Credits over 1 year

Employed capital = borrowed capital + equity

Fixed asset turnover as of 30.09.2021

$$\frac{\text{Turnover}}{\text{Fixed assets}} = \frac{13,095,383}{13,678,463} = 0.96$$

DECLARATION OF THE MANAGEMENT

Bucharest, November 8th, 2021

I confirm to the best of my knowledge that the audited financial results for the nine month period between 01.01.2021 and 30.09.2021 give a true and fair view of Safetech Innovations' assets, liabilities, financial position and profit and loss, as required by the applicable accounting standards, and that the Director's Report gives a true and fair view of important events during the Q3 2021 and their impact on the financial situation of the company.

Victor Gânsac

Sole Administrator of Safetech Innovations S.A.