

PRELIMINARY FINANCIAL RESULTS FOR 2020



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



SAFETECH
INNOVATIONS

BVB: SAFE

investors@safetech.ro
www.safetech.ro

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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 | Preliminary Financial Results |
| For financial period | 01.01.2020 – 31.12.2020 |
| Report publishing date | 01.03.2021 |

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 | 625,000 lei |
| Market on which the securities are traded | MTS AeRO Premium |
| Total number of shares | 3,125,000 shares |
| Symbol | SAFE |

CONTACT DETAILS FOR INVESTORS

| | |
|--------------|-----------------------|
| Phone number | +40 31 225 33 73 |
| E-mail | investors@safetech.ro |
| Website | www.safetech.ro |

The interim condensed consolidated financial statements as of December 31st, 2020 presented on the following pages are **unaudited**.

LETTER FROM THE CEO

Dear Shareholders,

Today we present to you the very first financial report of Safetech Innovations. Today we mark exactly 1 month since SAFE shares have floated on the AeRO market of the Bucharest Stock Exchange. We are extremely humbled that SAFE shares are so far the most traded financial instruments on the AeRO market in 2021. In just 20 trading sessions, you have traded shares in a total value of 23,3 million lei, which brings the average daily traded value at 1,1 million lei!

Your enthusiasm since the first minutes of our debut has overpassed all our estimates and together with Paul Rusu, I would like to thank you for your trust. We are excited about the beginning of our journey on the Bucharest Stock Exchange which we expect will bring Safetech Innovations to absolutely new heights.

It is with a lot of satisfaction that I announce to you that year 2020 saw a record performance of Safetech Innovations. In a year marked by a global pandemic, where businesses struggled to continue operations, our company has thrived. We have recorded 14.7 million lei turnover, a 43% increase compared to result from 2019, and a net profit of 3.1 million lei – a 148% surge compared to 2019. Consequently, we have ended 2020 with a record high net profit margin of 21%.

In line with our dividend policy, the great results from 2020 will be distributed under a hybrid model, where part of profit will be capitalized and you will benefit from free shares, another part will be distributed in cash.

At our annual General Meeting of Shareholders, scheduled to take place on April 16th, 2021, we will propose to you a capitalization of 2.5 million lei from the profit as well as distribution of cash dividend in the amount of 437.500. Consequently, shareholders will receive, for each share held, 4 free SAFE shares as well as 0.14 lei. We consider that this balance of capitalization and distribution is a perfect one, providing the company with sufficient capital to continue accelerated development while also rewarding our shareholders for their trust.

We are happy to offer to you this dividend because without the capital raised back in October 2020, we would not be able to deliver the results we are presenting to you. The sums obtained from the private placement were partially used for the co-financing and development of the projects financed from non-reimbursable funds, but also in the development of our company. We are also happy to mention that a significant part of the capital raised in October can be still seen on the balance sheet as of 2020.

I would like to talk a bit out the key highlights of the last year and provide you with some indicators of how our business has evolved. Ahead of our listing on AeRO one of our goals was to prepare the company from the corporate structure point of view. Consequently, we implemented a new organizational chart and new workflows and procedures to streamline the activity. The results have exceeded our expectations, as we have registered an increase in the added-value labor productivity by 23%. This had a direct result on the growth of the profit margin from 16% to 21% in 2020.

On top of it, we are happy to report that we have seen increase in the value of recurring contracts, which will covering current expenditures related to the production process for 2021. Current expenses related to the production do not include research and development expenditures,



which are financed from EU funds. We also recorded an accelerated increase, of 54%, in the revenues generated from cybersecurity services.

Last but not least, we have adapted to the general context of the sanitary crisis and we have implemented all technical and organizational measures, so that 95% of the cybersecurity services and solutions from our portfolio can be provided and implemented remotely. This means that we are fully capable of serving clients across Romania but also anywhere in the world. We want to grow the number of clients on foreign markets. Here the fact that we have for years been the provider of cybersecurity services to Arcelor Mittal in Luxembourg and CyberX in Israel (taken over by Microsoft), benefits us a lot.

We still see a tremendous potential on the local market where cybersecurity has been rather neglected, and therefore Romania now needs to catch up with the rest of Europe. In this regard, in the 4th quarter of 2020, Law 362/2018 was finally implemented in Romania, transposing the European Directive on network and information security, the first European legislation in the field of cybersecurity that provides legal measures to increase the general level of cybersecurity in the EU. We expect that Safetech will benefit significantly from this transposition as it will accelerate the evolution of the Romanian cybersecurity market. And when this happens – we will be ready, having already a significant track record, a good reputation, highly skilled team and, last but not least, having a transparent, public company.

In this context, we expect the revenues as well as profit will continue to grow in the coming years. Consequently, for 2021, we plan turnover from our main activity of 20 million lei and a net profit of 4.5 million lei. We are optimistic about the future, and we look forward together with our team to a great year. We will keep you in the loop about all the important developments in the life of Safetech Innovations.

On April 16th, 2021 we will be organizing our first annual General Meeting of Shareholders. We are happy to inform you that we will be organizing this meeting online. After all, being a public technology company obliges us. We look forward to seeing you all numerously on 16th! Until then, in case of any questions, 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 cyber security 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 December 31st, 2020, 42 employees, an increase of 5 compared to the same period of previous year.

KEY EVENTS IN 2020

SAFEPIC

In June 2020, Safetech Innovations signed a grant agreement with a 3-year implementation period. "Center of Excellence for Cyber Security and Critical Infrastructure Resilience (SafePIC)" aims to increase STI-CERT's response capacity to cybersecurity attacks and incidents, through automation and interoperability with similar structure at national and international level, but also organizational by carrying out a set of actions to design and implement measures to improve the components of the management system (strategy, structure, information system, decision-making system, methodological system), designed to increase the performance and competitiveness of the organization.

The total value of the project is 19,546,785.94 lei, of which, the non-reimbursable financing from the Ministry of Education and Research, as Intermediate Body for the Operational Program for Competitiveness 2014-2020, is in the amount of 13,497,938.74 lei and the co-financing from Safetech Innovations amounts to 3,763,795.00 lei.

The project period will run in period 2020-2023, and Safetech's partners are Carol I National Defense University and Horia Hulubei National Research and Development Institute for Physics and Nuclear Engineering - IFIN - HH / DFCTI.

BEGINNING OF CAPITAL MARKETS CHAPTER

On October 19, 2020, Safetech Innovations launched a private placement in order to raise 2.5 million lei from Bucharest Stock Exchange investors. The offer was closed on the same day, being oversubscribed in just 37 seconds. By the end of the day, the placement had a record subscription rate of 8.57 times and 140 out of maximum 149 investors who have bought SAFE shares. A total of 625,000 shares, respectively 20% of the company's share capital, with a nominal value of 0.2 lei per share were sold to investors. The offer attracted an unparalleled interest, reaching the highest subscription rate ever recorded during a private placement.

REBRANDING

In November 2020, Safetech Innovations launched a new positioning and a new brand image that marked an important moment in the company's history. With the listing on the stock exchange, Safetech took another step in consolidating its leading position in the field of cybersecurity, having the mission to keep Romania on the map of the most appreciated IT specialists globally. The new positioning brings together artificial and human intelligence thus consolidating the brand promise to secure businesses, company reputations, jobs, business prospects and a more secure future for all.

EVENTS IN 2020 THAT WILL HAVE EFFECT ON 2021 RESULTS

In 2020, Safetech signed contracts in a total value of 2.7 million euros to be delivered over a period of 3 years and contracts with a total value of 0.3 million euros, over a period of 2 years. Under those agreements, Safetech will provide monitoring and 24/7 response services to cybersecurity incidents as well as cybersecurity governance services.

ANALYSIS OF THE FINANCIAL RESULTS

P&L ANALYSIS

In 2020, Safetech Innovations registered a turnover of 14.7 million lei. Approximately half of the revenues came from security services, respectively 7.8 million lei, while 6.7 million lei were brought by security services maintenance and support and implementation of security solutions.

Approximately 30% of the turnover was brought by recurring contracts (amount includes the cost of equipment and goods sold), through which the company invoices customers monthly, under medium-term contracts (average 3-years). The rest of the turnover was brought by service contracts and implementations of cybersecurity solutions delivered to over 50 customers. Recurring contracts covered 75% of the company's current expenses. For 2021, recurring contracts represent 48% of turnover and they cover entirely the production costs of the company.

The item "Revenue from the production of intangible and tangible fixed assets" includes the capital received from European funds, with which Safetech Innovations developed its own product. The expenses incurred with the realization of the product are accounted for in this position. This type of revenue increased by 64% in 2020 due to the new EU project accessed by Safetech Innovations during 2020. Other operating income increased slightly. 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).

| REVENUE CATEGORY (LEI) | 2019 | 2020 | Δ % |
|--|-------------------|-------------------|--------------|
| Revenues from security services | 5,070,137 | 7,800,297 | 53.8% |
| Maintenance and support for cybersecurity solutions; implementation of cybersecurity solutions | 5,180,767 | 6,668,316 | 28.7% |
| Revenues from royalties, management of locations and rent | 4,153 | - | -100% |
| Sale of goods | 290,718 | 252,947 | -13% |
| Income from non-reimbursable funds | 2,067,026 | 3,396,340 | 64.3% |
| Other operating revenues | 361,530 | 381,384 | 5.5% |
| Total revenues | 12,974,331 | 18,499,284 | 42.6% |

Expenditures increased by 31%, at a slower pace than turnover, as they reached 14.7 million lei in 2020. The largest contribution to expenditures were personnel costs, which increased by 32.2% in 2020, reaching 6.1 million lei. The increase in the personnel expenses is determined by the increase of the number of employees, with 5 new colleagues, but also of the salary increases. In a competitive industry, such as IT, in order to remain attractive, Safetech must increase salaries at least at the same pace as other players in the local IT industry.

Material expenses had the second largest share of total expenditures, reaching 4.7 million lei, up 20%. This item mainly represents expenses with products and equipment delivered together with solutions to customers. In 2020, this position increased in proportion to the increase in the sales volume of this category of services. Other operating expenses, which mainly include expenses with subcontractors and service providers, rental expenses, as well as expenses with telecommunications (telephones, internet), increased by 60% reaching 2.7 million lei as a direct result of increasing the size of the business.

Safetech closed 2020 with an operating result of 3.8 million lei, an increase of 117% compared to the result of 2019. Financial revenues amounted to 18K lei, decreasing by 58%, while the financial expenses decreased by 26%, to 0.2 million lei as a result of the company liquidating a loan of 800,000 lei. Consequently, Safetech Innovations closed the financial period with a gross profit of 3.6 million lei, an increase of 138%, while the bottom line grew 148%, reaching 3.1 million lei.

| PROFIT & LOSS STATEMENT (LEI) | 31/12/2019 | 31/12/2020 | Δ % |
|-------------------------------|------------------|------------------|---------------|
| Operating revenue | 12,974,331 | 18,499,284 | 42.6% |
| Operating expenses | 11,229,844 | 14,709,418 | 31% |
| Operating result | 1,744,487 | 3,789,866 | 117.2% |
| Financial result | (228,137) | (181,801) | 20.3% |
| Gross result | 1,516,350 | 3,608,065 | 137.9% |
| Net result | 1,248,143 | 3,092,618 | 147.8% |

RESULTS VS ESTIMATES

The company's results in 2020 significantly exceeded the estimates made by the company at the end of Q3 2020. The forecasts were made in August 2020 and were prudent, considering the situation of the pandemic at that time. In Q4 the profits increased as a result of overall good performance. There was no single event or a single customer that led to increased results and therefore showed the enhanced notoriety of Safetech Innovations, as well as the greater ability to turn potential customers into current customers.

| | FY 2019 | 2020Est. | FY2020 | %2020 vs 2019 | % FY2020 vs 2020E |
|-------------------------|-------------------|-------------------|-------------------|---------------|-------------------|
| Turnover | 10,545,775 | 12,731,250 | 14,721,560 | 40% | 16% |
| Non-reimbursable income | 2,067,026 | 2,525,880 | 3,396,340 | 64% | 34% |
| Other incomes | 361,530 | 404,005 | 381,384 | 5% | -6% |
| Financial income | 43,424 | - | 18,376 | - | - |
| Total income | 13,017,755 | 15,661,135 | 18,517,660 | 42% | 18% |
| Total expenses | 11,769,612 | 13,602,431 | 15,425,042 | 31% | 13% |
| Net profit | 1,248,143 | 2,058,704 | 3,092,618 | 148% | 50% |
| Profit margin | 12% | 16% | 21% | 75% | 31% |

BALANCE SHEET ANALYSIS

Fixed assets decreased by 4.3% in 2020, mainly due to a 9.2% reduction in intangible assets that represented the depreciation during 2020. This decrease was offset by an increase in property, plant, and equipment, which increased by 53%, reaching 1 million lei in 2020. This increase is represented by acquisitions of fixed assets, such as servers, laptops, computers, within the project from European funds.

Current assets increased by 188%, reaching 16.6 million lei at the end of 2020, determined by an increase in receivables. According to the accounting rules, the non-reimbursable amounts granted within the projects from European financing are accounted for as receivables in correspondence with income in advance – income from subsidies. This item is visible under "other receivables". At the same time, trade receivables decreased by 19%, to 2.8 million lei as a result of a change in the business model. In 2020, Safetech Innovations sold more services than solutions (which include cost of equipment). This had a direct result on decreasing the debts to suppliers. Stocks visible on the balance sheet are equipment that has not been billed to customers. In general, the company does not hold large stocks.

The financial position of the company increased significantly – by 430%, reaching 1.7 million lei. Part of this amount is the money attracted by the company during the private placement.

Debts decreased by 11% compared to 2019, as all items except "Other short-term debt" decreased significantly. Other short-term debts include employee salaries, paid at the beginning of January 2021, VAT due at the end of January 2021 as well as salary taxes. Long-term debt fell sharply by 95% as the company repaid all the bank debt. The only long-term debt left at this moment is the financial leasing, which in 2020 reached 80K lei.



Advance income increased significantly by 138%, mainly due to the EU grant receipt. Equity grew 385% as a result of significant increases in subscribed and paid-in capital, capital premiums and legal reserves – all due to the company's preparation for listing on the AeRO market as well as the booking of the capital raised during private placement for SAFE shares.

| BALANCE SHEET (LEI) | 31/12/2019 | 31/12/2020 | Δ % |
|-------------------------------------|-------------------|-------------------|--------------|
| Fixed assets | 8,374,347 | 8,015,560 | -4.3% |
| Current assets | 5,766,503 | 16,579,588 | 187.5% |
| Prepaid expenses | 83,772 | 58,453 | -30.2% |
| Total assets | 14,224,622 | 26,344,875 | 85.2% |
| Current liabilities | 4,751,897 | 4,232,582 | -10.9% |
| Non-current liabilities | 1,523,055 | 80,353 | -94.7% |
| Income in advance | 6,686,308 | 15,909,460 | 137.9% |
| Total liabilities | 12,961,260 | 20,222,395 | 56% |
| Equity | 1,263,362 | 6,122,480 | 384.6% |
| Total equity and liabilities | 14,224,622 | 26,344,875 | 85.2% |

FINANCIAL STATEMENTS

| PROFIT & LOSS STATEMENT (LEI) | 31/12/2019 | 31/12/2020 | Δ % |
|--|-------------------|-------------------|---------------|
| Operating revenue, of which: | 12,974,331 | 18,499,284 | 42.6% |
| Turnover | 10,545,775 | 14,721,560 | 39.6% |
| Income from the production of intangible and tangible fixed assets | 2,067,026 | 3,396,340 | 64.3% |
| Other operating revenue | 361,530 | 381,384 | 5.5% |
| Operating expenses, of which: | 11,229,844 | 14,709,418 | 31% |
| Material expenses | 3,951,755 | 4,724,445 | 19.6% |
| Other material expenses | 29,591 | 32,781 | 10.8% |
| Costs of water and energy | 59,066 | 51,519 | -12.8% |
| Cost of goods | 251,080 | 180,282 | -28.2% |
| Personnel expenses | 4,637,297 | 6,128,456 | 32.2% |
| Depreciation and amortization | 628,081 | 912,870 | 45.3% |
| Other operating expenses | 1,672,974 | 2,679,065 | 60.1% |
| Operating result | 1,744,487 | 3,789,866 | 117.2% |
| Financial income | 43,424 | 18,376 | -57.7% |
| Financial expenses | 271,561 | 200,177 | -26.3% |
| Financial result | (228,137) | (181,801) | 20.3% |
| Total revenues | 13,017,755 | 18,517,660 | 42.2% |
| Total expenses | 11,501,405 | 14,909,595 | 29.6% |
| Gross result | 1,516,350 | 3,608,065 | 137.9% |
| Income tax | 268,207 | 515,447 | 92.2% |
| Net result | 1,248,143 | 3,092,618 | 147.8% |



BALANCE SHEET

| BALANCE SHEET (LEI) | 31/12/2019 | 31/12/2020 | Δ % |
|---|-------------------|-------------------|---------------|
| Fixed Assets, of which: | 8,374,347 | 8,015,560 | -4.3% |
| Intangible assets | 7,712,926 | 7,004,384 | -9.2% |
| Tangible assets | 659,871 | 1,008,626 | 52.9% |
| Financial assets | 1,550 | 2,550 | 64.5% |
| Current Assets, of which | 5,766,503 | 16,579,588 | 187.5% |
| <i>Inventories</i> | 262,710 | 221,254 | -15.8% |
| <i>Receivables</i> | 5,184,497 | 16,358,334 | 215.5% |
| Trade receivables | 3,510,106 | 2,844,932 | -19% |
| Receivables with affiliated entities | 344,654 | - | -100% |
| Other receivables | 1,329,737 | 13,513,402 | 916.2% |
| <i>Cash and cash equivalents</i> | 319,296 | 1,691,274 | 429.7% |
| Pre-paid expenses | 83,772 | 58,453 | -30.2% |
| Total assets | 14,224,622 | 26,344,875 | 85.2% |
| Current liabilities, of which: | 4,751,897 | 4,232,582 | -10.9% |
| Payables to suppliers | 2,161,419 | 1,440,094 | -33.4% |
| Payables to affiliate companies | 447,309 | 86,959 | -80.6% |
| Debt payable <1 year | 1,683,326 | 1,082,748 | -35.7% |
| Debt to shareholder | 283,463 | - | -100% |
| Financial leasing | 79,643 | 38,632 | -51.5% |
| Other short-term debt | 96,737 | 1,584,149 | 1537.6% |
| Non-current liabilities, of which: | 1,523,055 | 80,353 | -94.7% |
| Bank loans >1 year | 1,307,368 | - | -100% |
| Financial leasing >1 year | 215,687 | 80,353 | -62.7% |
| Income in advance, of which: | 6,686,308 | 15,909,460 | 137.9% |
| Income from subsidies | 6,188,606 | 15,397,096 | 148.8% |
| Total liabilities | 12,961,260 | 20,222,395 | 56.0% |
| Equity, of which: | 1,263,362 | 6,122,480 | 384.6% |
| Subscribed and paid-up share capital | 400 | 625,000 | 156150% |
| Share premium | - | 2,375,000 | - |
| Legal reserves | 80 | 125,000 | 156150% |
| Other reserves | 1,239 | 29,782 | 2303.7% |
| Retained earnings | 13,500 | - | -100% |
| Profit/(loss) for the period | 1,248,143 | 3,092,618 | 147.8% |
| Profit distribution | - | (124,920) | - |
| Total equity and debt | 14,224,622 | 26,344,875 | 85.2% |

DECLARATION OF THE MANAGEMENT

Bucharest, March 1st, 2021

I confirm to the best of my knowledge that the unaudited preliminary financial statements for the twelve-month period ended 31 December 2020 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 that have occurred in 2020 financial year and their impact on the preliminary financial statements.

Victor Gânsac

Sole Administrator of Safetech Innovations S.A.