

Q3 2022 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 2022
For financial period	01.01.2022 – 30.09.2022
Report publishing date	21.11.2022
According to	Annex 13 of ASF Regulation 5/2018

ISSUER INFORMATION

Name	Safetech Innovations S.A.
Fiscal code	28239696
Trade registry number	J40/3550/2011
Registered office	12-14 Frunzei Street, District 2, Bucharest

INFORMATION ABOUT FINANCIAL INSTRUMENTS

Subscribed and paid-up share capital	13,300,000 lei
Market on which the securities are traded	SMT- AeRO Premium
Total number of shares	66,500,000 shares
Symbol	SAFE

CONTACT DETAILS FOR INVESTORS

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Website	www.safetech.ro

The interim individual financial statements as of September 30, 2022, presented on the following pages **are not audited**.

MESSAGE FROM THE CEO

Dear shareholders,

The company's activity in the first nine months of 2022 was dynamic, with an increasing demand for our services. Therefore, in the first nine months of 2022, we recorded an increase in the number of recurring contracts, but also at the level of new clients, managing to add four new clients to our portfolio.

The continuous increase in the notoriety of Safetech Innovations, supported by the fact that we are a listed entity, turns us into the preferred partner by clients and the main providers of services and solutions in Romania.

Consequently, in the first nine months of 2022, Safetech Innovations recorded total turnover of 28.3 million lei, a 49% increase compared to the same period last year, and the revenues amounted to 20.8 million lei (+58%). We ended the first nine months of the year with a net profit of 5.3 million lei, a 134% increase compared to last year.

It is essential to underline that the net profit margin improved significantly in 9M 2022 compared to 9M 2021, from 17% to 25%. The result is satisfactory, especially for those of you who participated in the private placement for SAFE shares. In 2019, our margin was below 12%, and we promised investors that we would increase it to 20% by expanding the service portfolio. We are pleased to have delivered on this promise to our investors by maturing our business and setting achievable goals that benefit all our shareholders. At the same time, we are happy to share with all SAFE shareholders profits that the company generated by putting to use the capital raised from the market, proving that even growth companies can pay dividends as long as they have a solid business model and a good cash flow.

Regarding our international activity, currently, the UK entity is operational, with three people, in addition to the general manager, Anca Stancu – the sales director, who covers the UK and the USA, the strategic account director, and Manager Channel and Inside Sales. As for the entity in the United Arab Emirates, we expect it to be operational in the following period, with all the necessary documents having been submitted to the relevant authorities. However, in the meantime, we have already executed a contract on security testing for an energy company. As for the US entity, we estimate that by the end of the year it will be established, and from 2023 the US entity will become operational.

Currently, we are getting closer to delivering on another promise - the transfer to the Main Market. Last week we published on BVB the current report with the financial statements for 2019-2021 transposed according to IFRS and audited by Baker Tilly. This version formally triggered the transfer process to the Main Market - we can confirm that we are currently finalizing the preparation of the Prospectus that we want to submit in the next period to the FSA. Our target is to ring the bell at the BSE to mark our transfer to the Main Market before the publication of the preliminary financial results for 2022, i.e., by the end of February 2023. Our objective is to include the financial statements that will already comply with IFRS in that report. We will keep you updated on this process through ongoing reports as we go through the specific steps of this activity.

Regarding IFRS, if you have not yet had a chance to review the financial statements, we invite you to review the complete documentation, which is available on our website under a dedicated section called Main Market, available [HERE](#). One important aspect I would like to mention is that



there are no significant changes to how our historical results have been presented. Still, we encourage you to review Chapter 21 – Financial Statements, which includes the OMFP1802/2014-IFRS financial statement transformation tables broken down by year, providing good guidance as to what influenced any difference in numbers.

In closing this message, I want to emphasize that we are currently in our busiest quarter of the year, where we generate the most revenue and significantly impact the bottom line. This could be observed very well last year in our reporting – in Q4 2021, Safetech generated 43% of annual turnover and 63% of net profit, and we ended the year in line with the budget we revised at half-year. Therefore, we are also confident this year about meeting the budget, as approved in the General Meeting of Shareholders in April.

I invite you to read in the following pages more details about Safetech's performance in the first nine months of 2022 - Safetech's latest report according to Romanian Accounting Standards. In case of any questions related to our activity since the beginning of the year, whether it is about the business or the company's activity on the capital market, please do not hesitate to contact us at investors@safetech.ro.

Victor Gansac

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 mission 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, where its experts combine both artificial and human intelligence, while protecting businesses, company reputation, jobs, business prospects, providing a future safer 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 is the only company dedicated to information security on the Romanian market, which offers services both in the field of security and the implementation of security solutions. The company is the cybersecurity leader on the Romanian information security market.

As of September 30, 2022, Safetech Innovations had 49 full-time employees.

KEY EVENTS IN Q3 2022 AND AFTER CLOSING OF THE REPORTING PERIOD

STARTING THE BUY-BACK PROGRAM

On **August 8, 2022**, Safetech informed the market about the start of its share buyback program, to take place between August 9, 2022, and February 5, 2024. In accordance with the EGMS Decision of 21.07.2022, published in the Official Gazette, part IV no. 3317 / 04.08.2022, the program refers to the buy-back by the Company of a maximum number of 6,650,000 shares, at a minimum price of 0.2 lei per share and a maximum price of 6 lei per share, and the shares will be used to implement a Stock Option Plan program.

The company can buy back a daily volume of shares of up to 25% of the average daily number of shares that are traded on the market on which the purchase is made, calculated according to the applicable legislation, according to art. 3 paragraph (3) of Delegated Regulation no. 1052/2016. The purchase price is calculated in accordance with the provisions of the regulation mentioned above.

UK ENTITY OPERATIONALIZATION

On **August 22, 2022**, Safetech Innovations informed the market that, following the completion of all necessary formalities in respect to SAFETECH INNOVATIONS GLOBAL SERVICES LIMITED ("Safetech UK"), a 67% owned entity by the Company, based in the UK, Safetech UK became operational. The activity of Safetech UK is coordinated by Anca Stancu, as General Director, with a cumulative experience of over 23 years in implementing business development strategies and sales management.

In the next period, the UK entity will focus on building a local team, which will consist of 3 people by the end of 2022. Also, the management of Safetech UK estimates revenues of approximately 170,000 pounds by the end of the year.

CONCLUSION OF A SIGNIFICANT CONTRACT

On **October 3, 2022**, the Company informed the market about the conclusion of a significant contract, with a total value of 490,000 euros (without VAT) with a Romanian entity in the IT field. The subject of the contract is the delivery of a cybersecurity solution.

APPOINTMENT OF PERSONNEL IN KEY POSITIONS

On **October 7, 2022**, the Company informed the market about the appointment of Mr. Gabriel Musat, one of the founders of the IT integrator, Datanet Systems, as Strategy and Development Manager. In his new position, Mr. Musat will be responsible for developing business relationships with Safetech Innovations' existing and prospective clients, as well as increasing the Company's market share at the national level. To consolidate the quality of the services that it delivers, the Company has also promoted Marius Parvu as Manager of the Information Security Services Department and Mr. Sorin Miritescu as Manager of the Research-Development Department, both being already employees of the Company and having a cumulated technical experience, of over 20 years in the field of cybersecurity.

PUBLICATION OF THE AUDITED FINANCIAL RESULTS FOR 2019-2021 IN ACCORDANCE WITH IFRS

On **November 17, 2022**, the Company informed the market about the availability of the Company's audited financial results, prepared in accordance with the International Financial Reporting Standards (IFRS), for years 2019, 2020 and 2021. The full set of the financial statements, containing the republished audited financial results, accompanied by the audit report, prepared by Baker Tilly Klitou and Partners S.R.L, can be downloaded from [HERE](#). The preparation of the audited financial results, for the previous three years, in accordance with IFRS, represented one of the main milestones to be reached, before formally starting the process of transfer to the Main Market, transfer which has already been approved in the Extraordinary General Meeting of Shareholders dated 18.04.2022 (EGMS).

In the following period, the Company will submit the prospectus for admission to trading to the Financial Supervisory Authority for its approval and expects to finalize the transfer to the Main Market by February 2023, before publishing the preliminary financial results for year 2022.

ANALYSIS OF THE FINANCIAL RESULTS

NOTE: Currently, the entity in the UK, where the Company holds a majority stake, is operational, employing three people in addition to the general manager, Anca Stancu. Safetech Innovations also holds a minority stake in an entity in the United Arab Emirates that will be operational in the next period. Meanwhile, the Company has already executed a contract for an energy company on security testing. As for the US entity, the Company estimates that by the end of the year it will be established, and from 2023 the US entity will become operational.

Considering the aspects described above, the results generated by the two entities will be included in the Company's consolidated results in the future. Therefore, all results presented in this report are at an individual level, generated by the listed entity, Safetech Innovations SA.

P&L ANALYSIS

In the first nine months of 2022, Safetech Innovations recorded total turnover of 28.3 million lei, up 49% compared to last year. The revenues amounted to 20.8 million lei in 9M 2022, an increase of 59% compared to the previous year. In the first nine months of 2022, cybersecurity services contributed 48% to total revenue, compared to 52% in 9M 2021. Sales of cybersecurity services are significant as they have a high profit compared to cybersecurity solutions. During the analyzed period, the company registered an increase in the number of recurring contracts, but also at the level of new clients, managing to add 4 new clients in its portfolio in Q3 2022.

Implementing cybersecurity solutions contributed 30% to total revenue in 9M 2022, compared to 47% in 9M 2021. Equipment sales contributed 22% to the revenue generated in 9M 2022. According to the company's accounting policies, some equipment was sold without implementation services and was accounted for as a sale of goods.

Revenues from the production of tangible and intangible fixed assets increased by 27% in 9M 2022 compared to 9M 2021, reaching 7.2 million lei, representing the equivalent of the costs of developing these assets in-house. This position represents the investments in intangible assets made from European funds and the company's funds - the development of Safetech's product, which will be put into operation upon the completion of the project, respectively June 2023. The cost of developing them is presented in the expenses section. The variation in these revenues is due to the execution of the approved technical project and is not related to the company's current activity. Safetech Innovations requested the modification of the technical project in the sense that the savings made in the framework of investments in tangible and intangible assets (IT infrastructure and security for organizational development) will be allocated for the development of additional functionalities within the SafePIC platform.

Other operating revenue decreased by 8%, reaching 258K lei. A significant share of these revenues represent investment subsidies transferred to revenues corresponding to the depreciation recorded for the owned solution (non-reimbursable funds project, completed in 2019).

Operating expenses increased by 37% and reached 22.2 million lei. The biggest contribution in terms of costs is represented by personnel expenses, which increased by 22%, reaching 6.8 million lei. This increase is driven by year-over-year team expansion as well as salary increases. As part of its standard policy to remain a competitive employer, the company continues to increase salaries throughout the year to retain top talent, impacting personnel expenses throughout the year.

The second largest cost contributors are material expenses, which decreased by 5% in 9M 2022 to 5.4 million lei, and cost of goods, which increased by 4,523% to 4.5 million lei. The decrease in material expenses and the increase in the cost of goods are closely related because some equipment was sold without implementation services and was accounted for as a sale of goods. Other operating expenses increased by 17% in 9M 2022 to 3.1 million lei, the increase being mainly

determined by the expenses incurred with the accounting transposition of the last three years according to IFRS standards to prepare the company for the transfer to the Main Market of the Bucharest Stock Exchange. The company carried out the transposition of accounting with a company specialized in the field.

Depreciation and amortization increased by 5%, reaching 2.2 million lei in 9M 2022. This increase is also directly related to the EU research and development project, which includes a development component of the acquisition of fixed assets necessary to carry out the activity to increase the company's competitiveness (servers, laptops, furniture, monitors, as well as a process automation solution). These fixed asset items were purchased and put into operation in 2021, generating monthly amortization expenses using the straight-line amortization method.

Safetech closed the first nine months of 2022 with an operating result of 6.1 million lei, a 116% increase compared to last year. The financial revenue reached 107K lei, a 1336% increase determined by establishing a deposit with the cash surplus, while financial expenses increased slightly, by 3%, up to 70K lei. As the financial result improved, from a loss of 60K lei to a gain of 38K lei, the gross result reached 6.1 million lei, a 122% increase compared to last year.

The profit tax increased by 71% to 891K lei. The income tax increase was slower than the net result because the company sponsors a rehabilitation center for disabled children. The value of the sponsorship is deducted from the profit tax according to the legislation in force (in 2021, the sponsorship was deducted at the end of the year, and starting with 2022, the deduction is quarterly). Therefore, Safetech Innovations ended the first nine months of 2022 with a net profit of 5.3 million lei, a 134% increase compared to last year. Also, the net profit margin improved significantly in 9M 2022 compared to 9M 2021, from 17% to 25%.

PROFIT AND LOSS ACCOUNT INDICATORS (LEI)	30/09/2021	30/09/2022	Δ %
Operating revenue	19,042,898	28,312,639	49%
Operating expenses	16,214,369	22,206,183	37%
Operating result	2,828,529	6,106,456	116%
Financial result	(60,103)	37,501	162%
Gross result	2,768,426	6,143,957	122%
Net result	2,249,028	5,253,196	134%

BALANCE SHEET ANALYSIS

Total assets reached 41.6 million lei, a 13% increase since the beginning of the year, determined by the 42% increase in intangible assets and a 153413% increase in financial assets, amid the increase in the value of the shares held by the Company in the UK entity.

Fixed assets increased in 9M 2022 by 57%, reaching 26.2 million lei, determined by the 42% increase, up to 21.5 million lei, of intangible assets put into operation and those in progress, these representing the investments that are made implementing European-funded product, SafePIC. Tangible fixed assets decreased by 51%, up to 738K lei, due to the depreciation of fixed assets in operation.

Current assets decreased in 2022 by 23%, reaching 15.3 million lei from 19.9 million lei recorded at the end of 2021. This category consists, first of all, of receivables which increased by 2% since the beginning of the year. Trade receivables, amounting to 9.3 million lei, increased by 30% and represent invoices that have not yet been collected as of September 30, 2022. Other assets decreased by 30%, up to 4.4 million lei, representing the subsidy remaining to be collected by the company. Cash and cash equivalents decreased by 31% since the beginning of the year, reaching 1.5 million lei following the capitalization of the UK company, as well as due to the payment of solutions from suppliers that have not yet been collected from the Company's clients. Also, since the beginning of the year, the company has paid off bank loans, made advance payments for

specific equipment, and secured the cash flow needed to run European projects, which will be recovered after the reimbursement request is approved.

Inventories have fallen by 50% since the beginning of the year, reaching 95K lei, as the company delivered to clients in Q3 2022 the solutions purchased in the first part of the year and also commissioned some necessary equipment internally. The prepaid expenses decreased by 1%, reaching 73K lei. This amount represents the expenses recorded during the reporting period but for which the services are carried out later.

Total liabilities decreased by 16% since the beginning of the year, reaching 18.4 million lei. Current liabilities decreased by 43%, reaching 4.4 million lei. This position mainly consisted of liabilities to third-party suppliers, which decreased by 51% since the beginning of the year, down to 2.4 million lei, because the company paid its invoices faster, thus building an even better business relationship with its suppliers and business partners. Other current liabilities amounted to 2 million lei, a 5% increase. These amounts mainly represent taxes, dues, and wages owed to employees as of September 30, 2022. Current bank debts were extinguished, while current financial leasing decreased by 9% to 37K lei. In parallel, non-current liabilities, which consist only of financial leasing, decreased by 66%, up to 14K lei. The company had no long-term bank debt as of September 30, 2022.

Revenue in advance decreased by 2%, reaching 14 million lei. This category is primarily grant revenue - reflecting the receipt of the EU grant received in June 2020.

Equity increased by 58% since the beginning of the year, following a 326% increase in subscribed and paid-up capital. This increase is primarily due to the share capital increase operation with a cash contribution, which ended in January 2022, as well as the partial capitalization of the share premiums of approximately 10 million lei and the distribution of bonus shares to shareholders in the proportion of 3 bonus shares for each share held. The transaction was completed in June 2022.

BALANCE SHEET INDICATORS (LEI)	31/12/2021	30/09/2022	Δ %
Fixed assets	16,686,680	26,152,196	57%
Current assets	19,881,251	15,342,437	-2. 3%
Prepaid expenses	73,409	72,589	-1%
Total assets	36,641,340	41,567,222	13%
Current liabilities	7,696,189	4,382,281	-43%
Non-current liabilities	41,273	14,071	-66%
Income in advance	14,258,896	14,005,247	-2%
Equity	14,644,982	23,165,623	58%
Total equity and liabilities	36,641,340	41,567,222	13%

PROFIT AND LOSS ACCOUNT

PROFIT AND LOSS ACCOUNT (LEI)	30/09/2021	30/09/2022	Δ %
Operating revenue, of which:	19,042,898	28,312,639	49%
Turnover	13,095,383	20,844,511	59%
Revenue from the production of intangible and tangible assets	5,665,928	7,209,662	27%
Other operating income	281,587	258,466	-8%
Operating expenses, of which:	16,214,369	22,206,183	37%
Material expenses	5,678,709	5,411,496	-5%
Other material expenses	33,827	33,899	0%
Costs of water and energy	44,755	117,464	162%
Cost of goods	97,270	4,496,975	4523%
Personnel expenses	5,589,925	6,815,025	22%
Depreciation and amortization	2,103,441	2,217,920	5%
Other operating expenses	2,666,442	3,113,404	17%
Operating result	2,828,529	6,106,456	116%
Financial revenue	7,479	107,396	1336%
Financial expenses	67,582	69,895	3%
Financial result	(60,103)	37,501	162%
Total revenues	19,050,377	28,420,035	49%
Total expenses	16,281,951	22,276,078	37%
Gross result	2,768,426	6,143,957	122%
Income tax/other taxes	519,398	890,761	71%
Net result	2,249,028	5,253,196	134%

BALANCE SHEET

BALANCE SHEET INDICATORS (LEI)	31/12/2021	30/09/2022	Δ %
Fixed assets, of which:	16,686,680	26,152,196	57%
Intangible assets	15,166,466	21,499,773	42%
Tangible assets	1,517,664	737,832	-51%
Financial assets	2,550	3,914,591	153413%
Current assets, of which:	19,881,251	15,342,437	-2. 3%
Inventories	187,953	94,563	-50%
Receivables	13,478,544	13,735,422	2%
Trade receivables	7,158,463	9,296,000	30%
Other receivables	6,320,081	4,439,422	-30%
Cash and cash equivalents	6,214,754	1,512,452	-76%
Prepaid expenses	73,409	72,589	-1%
Total assets	36,641,340	41,567,222	13%
Current liabilities, of which:	7,696,189	4,382,281	-43%
Payables to suppliers	4,735,899	2,329,506	-51%
Bank debt	995,248	0	-100%
Debt to shareholders	0	1,415	100%
Financial leasing	40,378	36,829	-9%
Other short-term liabilities	1,924,664	2,014,531	5%
Non-current liabilities, of which:	41,273	14,071	-66%
Financial leasing	41,273	14,071	-66%
Revenue in advance	14,258,896	14,005,247	-2%
Revenue from subsidies	14,258,896	14,005,247	-2%
Total liabilities	21,996,358	18,401,599	-16%
Equity, of which:	14,644,982	23,165,623	58%
Subscribed and paid-up share capital	3,125,000	13,300,000	326%
Share premium	2,375,000	2,865,991	21%
Legal reserves	495,001	495,001	0%
Other reserves	29,782	29,782	0%
Own shares	0	(427,832)	-
Losses related to equity instruments	0	(11,233)	-
Profit/(loss) carried forward	30,198	1,660,718	5399%
Profit/(loss) for the period	6,156,771	5,253,196	-15%
Distributed profit	(370,001)	0	-100%
Total equity and liabilities	36,641,340	41,567,222	13%

KEY FINANCIAL RATIO

Current ratio as of 30.09.2022

$$\frac{\text{Current assets}}{\text{Current liabilities}} = \frac{15,342,437}{4,382,281} = 3.5$$

Debt to ratio as of 30.09.2022

$$\frac{\text{Borrowed capital}}{\text{Equity}} \times 100 = \frac{0}{23,165,623} \times 100 = 0\%$$

$$\frac{\text{Borrowed capital}}{\text{Employed capital}} \times 100 = \frac{0}{23,165,623} \times 100 = 0\%$$

Borrowed capital = Loans over 1 year
Employed capital = Borrowed capital + Equity capital

Fixed assets turnover as of 30.09.2022

$$\frac{\text{Turnover}}{\text{Fixed assets}} = \frac{20,844,511}{26,152,196} = 0.80$$

DECLARATION OF THE MANAGEMENT

Bucharest, November 21, 2022

I confirm to the best of my knowledge that the unaudited individual financial results for the nine-month period ended September 30th, 2022, 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 first nine months of the 2022 and their impact on the company's financial statements.

Victor Gansac

Chairman of the Board of Directors

Safetech Innovations S.A.