SAFETECH INNOVATIONS

2023 ANNUAL REPORT

Safetech Innovations S.A., company listed on the Main Segment of the Bucharest Stock Exchange, Standard Category

BVB: **SAFE**

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www.safetech.ro

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ISSUER INFORMATION

INFORMATION ABOUT THIS FINANCIAL REPORT	
Type of report	2023 Annual Report
For financial period	01.01.2023 – 31.12.2023
Report publishing date	15.03.2024
According to	Annex 15 to FSA 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 capital	13,300,000 lei
Market on which the securities are traded	Bucharest Stock Exchange, Main Segment, Standard Category
Total number of shares	66,500,000 shares
Symbol	SAFE
CONTACT DETAILS FOR INVESTORS	
Phone number	+40 754 908 742
E-mail	investors@safetech.ro
Website	www.safetech.ro

The individual and consolidated financial statements presented in the below pages are prepared in accordance with the International Financial Reporting Standards, adopted by the European Union ("IFRS"). The individual and consolidated financial statements as of December 31, 2023 **are audited.**

LETTER FROM THE CEO

Dear shareholders,

2023 was a year characterized by ups and downs. A year and a few weeks ago, on February 6, 2023, SAFE shares debuted on the Main Market of the Bucharest Stock Exchange, a significant moment for the development of our company. A few months later, in August 2023, **Morgan Stanley Capital International (MSCI)** announced the inclusion of SAFE shares in the MSCI Frontier Markets Small Cap index and in the MSCI Romania Small Cap index.

The inclusion of the company's shares in these indices represents another important moment for Safetech Innovations and reflects **our rise on the international stage.** MSCI Frontier Markets Small Cap index represents a benchmark for the shares of companies with small capitalization from frontier markets, while the MSCI Romania Small Cap index represents a benchmark for the shares of small capitalization companies from Romania.

Regarding our activity, in 2023, we were involved in multiple cybersecurity projects, registering requests for both our services and cybersecurity solutions. As we announced through current reports, in 2023, we signed three significant contracts with a value of more than 4 million euros. However, the year could have been better.

The first half of 2023 gave us confidence that we would have a year at least as good as 2022. But, starting from the second part of last year, things took an **unexpected turn**, with several reasons for concern, which have led to a decrease in requests for cybersecurity services and solutions or stagnation in the development of projects. Among these reasons, we list the discussions held throughout the past year at the legislative level regarding fiscal changes, as well as the ordinance regarding the reduction of expenses by public institutions. These elements had a direct and indirect impact on our revenues.

Also, starting with the second part of the year, talks regarding a potential recession intensified, and later the conflict in Israel broke out. All these aspects created **uncertainty in the market** and impacted the activity of companies and their budgets. Their decision to invest in cybersecurity has been prolonged and we have observed in the second part of last year a linear decision among customers and potential customers to postpone to 2024 the implementation of cybersecurity measures.

As a result of this delay, our individual and consolidated financial results were not what we and you, Safetech shareholders, were aiming for. Considering these aspects, in 2023, **on an individual level,** the company's turnover amounted to **RON 31.1 million,** a decrease of 11% compared to 2022. During the year, cybersecurity services contributed 31% to the total turnover, and the implementation of cybersecurity solutions contributed 69%.

In 2023, **we gained 14 new customers** from the Romanian market. Therefore, we ended 2023 with a **net profit at the individual level of RON 9.7 million**, a decrease of 5% compared to the previous year.

At the consolidated level, where the results of the UK entity (Safetech UK) are included, considering that this entity did not record sales in 2023, the turnover is similar to that recorded at the individual level, and the **net profit amounted to RON 3.8 million**, a decrease of 36% compared to 2022.

Considering that **the activity in the UK was not at the level we intended**, following an assessment carried out at the end of 2023, which aimed to identify the means of accelerating the company's development on the UK market, **Safetech UK has adopted a new strategy**, of focusing on a **larger volume of contracts** with lower value. At the same time, following the evaluation, we reorganized the respective entity, **reducing expenses by 40%.** We predict that the effects will be seen starting from Q2 2024.

In line with the UK contracting strategy from the beginning of 2024, **Safetech UK has already signed the first contracts and has additional awarded contracts in the pipeline, totaling approximately £150k**. The focus on attracting lower value contracts supports a more dynamic response to market opportunities and facilitates a steady revenue stream, avoiding the long negotiation and project initiation periods observed in case of larger contracts. We will continue to implement this strategy throughout this year and will inform you of any significant updates relating to Safetech UK. **Regarding USA**, the branch was established in 2023 and the activity will be operationalized once the UK entity will be self-financed through its own contracts.

Concerning UAE, the local entity's activity in 2023 focused on **market prospecting and discussions with potential customers**. As I have mentioned repeatedly, this market is extremely different from Romania and Great Britain, because the focus here is only on large projects. Therefore, they require long periods of time for the construction and contracting part. We are currently confirming the signing of a collaborative partnership with **Black Diamond Military Equipment, part of the investment group Abu Dhabi Capital Group**. The objective of this partnership is to identify and capitalize on cybersecurity opportunities in this market.

Regarding Safetech's international presence, before publishing this report, we announced the establishment of the subsidiary in the Kingdom of Saudi Arabia. The reason why we aim to penetrate this market with our services and solutions is related to the long-term policy of this country, **Vision 2030**. This requires a rapid and large-scale digital transformation, including from the point of view of cybersecurity. Thus, the potential of the cybersecurity market in Saudi Arabia will be US$ 5.6 billion in 2024 and it is expected to reach US$ 10 billion in the year 2026.

In **Saudi Arabia,** we have already signed a collaborative partnership with **Al- Yam International Trading Company**, the objective being to identify and capitalize on cybersecurity opportunities in this market. Regarding the establishment of the local entity, we are in the final stages of the necessary procedures to operate and obtain business licenses. We expect that in March 2024, this entity will be established and thus, can start signing contracts for the provision of cybersecurity services and solutions at the local level.

Even if the financial results for 2023 were not in line with our expectations, looking ahead, **we anticipate that things will look better in 2024**. Cybersecurity challenges are becoming more complex and the need for cybersecurity services and solutions is intensifying. The beginning of this year demonstrated this to us, when the Romanian Parliament suffered a cyberattack, as did several public hospitals in Romania. Romanian legislation needs to be constantly updated in this area, to keep up with new threats. We are prepared to be on the front line to respond to the needs of entities from all economic sectors.

For this reason, we present to you the proposal of **2024 Income and Expenditure Budget**. In short, at the consolidated level, we aim for total revenues of **RON 64.8 million** and a net profit of **RON 13.1 million**.

Earlier this year we signed recurring cybersecurity incident response and monitoring contracts with **four new clients**. We estimate that **in Q1 2024 we will record an increase in individual net profit by more than 100%** compared to the same period in 2023.

Additionally, we would like to mention that 2024 has started very well and we have signed **three projects with European funds, totaling RON 4 million**, through our involvement in various multinational consortia at European level. We also **won a project with European funds at the national level, worth RON 6.2 million** and we will sign the contract in the following period. We intend to apply for other such projects as well, depending on the funding lines available both at national and European level.

More details on the 2024 Revenue and Expenditure Budget are available below in the "Perspective aspects regarding Issuer's activity" chapter.

I invite you to read in the following pages more details about Safetech's performance in 2023. In case of any questions related to our activity, 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

Chairman of the Board of Directors and CEO

2023 KEY INDICATORS (INDIVIDUAL)

REVENUES
RON 32.7 MILLION
-7% vs. 2022

TURNOVER
RON 31.1 MILLION
-11% vs. 2022

GROSS RESULT
RON 11 MILLION
-5% vs. 2022

NET RESULT
RON 9.7 MILLION
-5% vs. 2022

Key indicators are presented at the **individual level**.

2023 KEY INDICATORS (CONSOLIDATED)

REVENUES
RON 32.8 MILLION
+2% vs. 2022

TURNOVER
RON 31.1 MILLION
-2% vs. 2022

GROSS RESULT
RON 5.1 MILLION
-31% vs. 2022

NET RESULT
RON 3.8 MILLION
-36% vs. 2022

The key indicators are presented at **consolidated level**.

ABOUT SAFETECH INNOVATIONS

BRIEF HISTORY

Safetech Innovations S.A. (the “Company", "the Issuer", "Safetech", "the Company") is a cybersecurity company from Romania, founded by certified information security experts with extensive proven experience in security projects for institutions and companies from all sectors. The Company was established as a limited liability company (S.R.L.) by Victor Gânsac, Paul Rusu, Teodor Lupan, and Adrian Vlada in 2011.

The main change in Safetech's business strategy occurred in 2016 when management decided to focus on value-added services instead of hardware sales, which in previous years contributed significantly to revenues but had a low profit margin.

In 2016, Safetech established its own Research and Development department using its own financial resources. Currently, the Company has a number of proprietary cybersecurity products under development or intended for development.

Prior to admission to trading on the multilateral trading system operated by the Bucharest Stock Exchange, the Company was transformed into a joint-stock company (S.A.), owned at that time by two shareholders, the co-founders of the Company, Victor Gânsac and Paul Rusu.

In October 2020, prior to admission to trading on the AeRO market operated by the Bucharest Stock Exchange, the Issuer successfully carried out a private placement, raising a total of RON 2.5 million from investors, after the offer was oversubscribed in 37 seconds, reaching a record subscription rate of 857%, respectively, the highest subscription rate of an offer carried out by a private company listed on the Bucharest Stock Exchange in the last six years, calculated at that respective time.

On January 29th, 2021, Safetech Innovations (SAFE) shares debuted on the AeRO market of the Bucharest Stock Exchange. On the first day of listing, shares worth RON 8.9 million were traded, and the price reached RON 24 per share, 500% higher than the price in the private placement.

On January 6th, 2022, the Company informed investors about the completion of the first stage of the share capital increase, carried out from December 6, 2021, to January 5, 2022. In this stage, investors subscribed 52.2% of the 1,000,000 available shares. Subsequently, on January 19, Safetech informed the market about the successful completion of the second stage of the share capital increase. The private placement carried out in the latter stage was closed in advance, on the first day, and given the high interest of investors, the shares were allocated to shareholders "pro-rata", with an allocation index of 0.6236827919.

On January 14th, 2022, the Extraordinary General Meeting of Shareholders took place, during which the shareholders voted in favor of establishing a new company, partially owned by Safetech Innovations S.A. as an associate, with a 49% stake in the share capital, aimed at expanding the company's activity abroad. The company SAFETECH CYBERSECURITY LIMITED CYBER RISK MANAGEMENT SERVICES L.L.C. has already been established as a limited liability company operating in accordance with the laws of the United Arab Emirates, with its headquarters in Abu Dhabi, United Arab Emirates, Istiqlal Street, Corniche View Tower\Invest Bank Building, 1st floor.

During the Extraordinary General Meeting held in April 2022, the shareholders approved the admission of Issuer's shares to trading on the regulated market of the Bucharest Stock Exchange.

On August 22nd, 2022, Safetech Innovations informed the market that, following the completion of all necessary formalities, SAFETECH INNOVATIONS GLOBAL SERVICES LIMITED, an entity owned 67% by the Company, with its headquarters in the United Kingdom, became operational.

In April 2023, the entity in the United States of America was established. and the activity to be operationalized once the UK entity will be self-financing through its own contracts.

In March 2024, the Company announced to investors about the opening of the subsidiary in the Kingdom of Saudi Arabia, in which Safetech Innovations owns 100% of the share capital.

As of December 31st, 2023, the Company's shareholder structure, according to the information available on the Bucharest Stock Exchange website, was as follows:

Shareholder	No. of shares	Percent
Victor Gansac	21,014,928	31.6014 %
Paul Rusu	21,000,000	31.5789 %
Natural Persons	23,543,213	35.4033 %
Legal Persons	941,859	1.4163 %
TOTAL	66,500,000	100%

Between 01.01.2023 - 31.12.2023, investors traded SAFE shares, with a total value of RON 44 million (an average daily trading value of RON 177,569).

Starting with 06.02.2023, the Company's shares are traded on the Main Segment of the Bucharest Stock Exchange, Standard Category.

None of the subsidiaries of Safetech Innovations S.A. owns SAFE shares. The issuer has not issued bonds or debt securities.

DESCRIPTION OF THE ISSUER'S ACTIVITY

Safetech Innovations S.A. ("Safetech") is a company with a unique profile on the Romanian market, characterized by its ability to deliver a full range of cybersecurity solutions and services. Safetech offers a *one-stop shop* capable of supporting organizations of any size to achieve and maintain the desired level of cyber resilience. Throughout its history, the company has specialized in integrating complex cybersecurity projects and securing critical infrastructures.

Safetech's mission is to provide its customers with the means and capabilities necessary to achieve and maintain their cybersecurity objectives. To fulfill its mission, the company uses products with state-of-the-art technology, with which it delivers to customers, from its security operations center, a comprehensive set of solutions and services. Safetech brings together human and artificial intelligence within its portfolio of comprehensive cyber security services, internationally accredited and developed based on proven methodologies in the field.

Safetech is consistently recognized, both locally and internationally, for its well-trained and certified staff, innovative research programs, and unique expertise and experience in solving the most complex cybersecurity problems. The main areas of expertise of the company are:

- Outsourcing the operations of monitoring and responding to cybersecurity incidents,
- Delivery and implementation of technical means and solutions for addressing cybersecurity risks,
- Implementation of organizational and technical controls to address information security risks and maintain the compliance with applicable security regulations,
- Securing critical IT and OT infrastructures (information technology and operational technologies),
- Training in cybersecurity,
- Security testing and auditing,
- Information security and risk management.

CERTIFICATIONS

Safetech experts are certified in all areas of cyber security, including for critical infrastructures. In addition to the above, the company's research department has significant innovation potential, proven by its involvement in cybersecurity technology, high-tech and strategic projects developed under national and European research and development programs. The company employees have the following professional certifications:

Over the years, Safetech has received several international certifications, including:

Safetech Innovations has also been accredited as a Cybersecurity Auditor for essential service operators, based on the Law 362/2018 on ensuring a high common level of security of networks and information systems, by the National Cyber Security Incident Response Center (CERT-RO). CERT-RO is the competent national authority for network and information system security.

EXPERIENCE

Safetech has worked with over 15 local and international banks and financial institutions, key players in the energy and utilities sector, various ministries, hospitals and private companies. Examples of projects that the Safetech team has successfully implemented include:

- Risk assessment and implementation of various IT security solutions for a key player in the Romanian electricity distribution and supply market;
- Risk assessment, security monitoring and implementation of various cybersecurity solutions for the concessionaire of public water supply and sewerage services in a large European capital;
- Security testing for a national airline;
- Risk assessment for the largest Romanian candy producer;
- Security services and implementation of digital security solutions for several Romanian banks (Top 10);
- Implementation of IT security solutions for the national railway system;
- Implementation for the European Union Agency for Network and Information Security (ENISA) the project "Formalization of a standardized framework on appropriate security measures for small and medium-sized enterprises for the processing of personal data";
- Security tests for Arcelor Mittal (Luxembourg / Germany), Security Innovations (USA), World Customs Organization (Belgium).

COMPLETE PORTFOLIO OF SERVICES AND SOLUTIONS

Services:

- Penetration tests and source code audit
- Security consulting
- Development and implementation of security standards
- Security event monitoring (through STI CERT)
- Security incident detection and response (through STI CERT)
- Security audit
- Risk Analysis
- Vulnerability analysis
- Security program design and implementation
- Periodic scanning of vulnerabilities
- Automation of security configurations
- Services that ensure business continuity and data recovery in the event of a disaster
- Security courses

Solutions:

- Access management solutions
- Solutions for securing network infrastructure (Firewalls, IDS / IPS)
- Solutions for securing critical infrastructure
- Solutions for mobile device security
- Firewalls to protect web applications
- Web traffic filtering solutions
- IoT device security solutions
- Solutions for the security of medical devices
- Solutions for securing e-mail
- Solutions for collecting, analyzing and correlating security events
- Solutions for securing databases
- Solutions for scanning and managing vulnerabilities
- Workstation protection solutions
- Solutions to prevent data loss

RESEARCH & PROPRIETARY PRODUCTS

In 2016, Safetech set up its own Research and Development department, using its own financial resources. Currently, the Company has a number of proprietary cybersecurity products under development or that it intends to develop, which will bring new added value to customers. In addition, the Company operates a private emergency response team in Romania, called STI CERT - Computer Emergency Response Team (CERT) / Computer Security Incident Response Team (CSIRT), available to customers in the public and private sectors, which provides continuous monitoring cybersecurity threats and intervention in the event of security incidents. STI CERT is designed to support companies, institutions and organizations that want to be protected against cyber-attacks through continuous monitoring (24/7), prompt response and rapid recovery from cybersecurity incidents. STI CERT is accredited at European level by the Trusted Introducer and offers a 24/7 monitoring system, alerting, incident management and forensic research.

The company wants to further develop patented products. In 2021, Safetech Innovations spent a total of RON 9,126,745 on research and development, of which RON 6,095,771 came from non-refundable/public funds and the amount of RON 3,030,974 lei represents its own funds. In 2022, the expenses amounted to RON 12,916,742, of which RON 4,627,380 came from non-refundable/public funds and RON 8,289,362 from its own funds. To date, Safetech has two such products in its portfolio, with the SafePIC product under development, which the Company estimates to complete by June 2023. In 2023, the expenses amounted to RON 14,464,851, of which RON 1,143,738 came from non-refundable/public funds and RON 13,321,113 from its own funds.:

iSAM - In March 2019, Safetech launched its first cybersecurity product - iSAM, Information Security Automation Manager. iSAM enables companies' information security managers to better manage cybersecurity within their organizations, automating certain processes, providing real-time updates on the level of cyber protection, and enabling early detection of cybersecurity threats. Safetech holds the certificate of registration in the National Register of Computer Programs for iSAM. The certificate was issued on 22.01.2020 by the Romanian Copyright Office.

The main features of the application developed by Safetech include:

- inventory of business processes and information systems;
- management of security policies and standards within the organization;
- continuous analysis and management of risks and vulnerabilities;
- security event and incident management.

The solution automates some of the activities of information security officers, but also helps organize security reports, gathering information from various departments, thus saving time, and aligning the practices used in a company. The platform also has the option to generate reports on the level of IT security within the organization almost instantly, as well as to provide tools for managing security and risk indicators.

The solution is mainly addressed to large companies in the financial-banking, health, transport, energy, utilities, as well as digital infrastructure sectors, ensuring compliance with the relevant IT security provisions applicable to these industries. iSAM helps companies comply with the following regulations currently applicable in Romania:

- Law 362/2018 on ensuring a high level of security of computer networks and systems;
- Norm 4/2018 of the Financial Supervisory Authority (FSA) on operational risk management;
- NBR Regulation 3/2018 on monitoring the financial market and infrastructure of payment instruments;
- General Regulation on the Protection of Personal Data (GDPR).

The capitalization of the project is done by two methods:

- Capitalization in the form of either a perpetual license or a subscription (annual service on premises - renewable annually) to the beneficiaries of the company.

- Capitalization in the form of streamlining the activity within the structure of the company type Security Operations Center - STI CERT, both in the daily activities of monitoring the security of the company's beneficiaries, and in the security testing and information security management services.

ToR-SIM (research project completed in 2020) - Utilization in the form of either a perpetual license or subscription (annual service on premises) to the integrated software platform for malware analysis of mobile terminals (Acronym: ToR-SIM). A software platform that seamlessly integrates malware analysis procedures for most existing devices on the market today, in order to enhance the security of terminals and networks, identify operational requirements and capabilities to develop and secure solutions for mobile devices and applications that to ensure, through a partnership between the responsible governmental factors, the academic and industrial environment, the increase of the efficiency of the cyber protection solutions. The platform is developed at the prototype level, validated by a single beneficiary (the one established by the research project, which accepted that the product was developed according to the project requirements). The development of the product at the level of commercial product will continue if the need is found in the market.

SafePic - Aims to increase the response capacity of STI-CERT to cybersecurity attacks and incidents, through automation and interoperability with similar structures at national and international level, but also organizational development 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.

DIFERENTIATION FROM COMPETITION

- Founder, owner and operator of the Private Cyber Security Incident Response Center, STI CERT;

- Technical skills in all areas of information security;

- Expanded portfolio of innovative cybersecurity solutions;

- Expertise and reputation recognized by 100+ clients, 250+ successfully completed projects and cybersecurity services provided globally.

IMPACT ON THE ENVIRONMENT

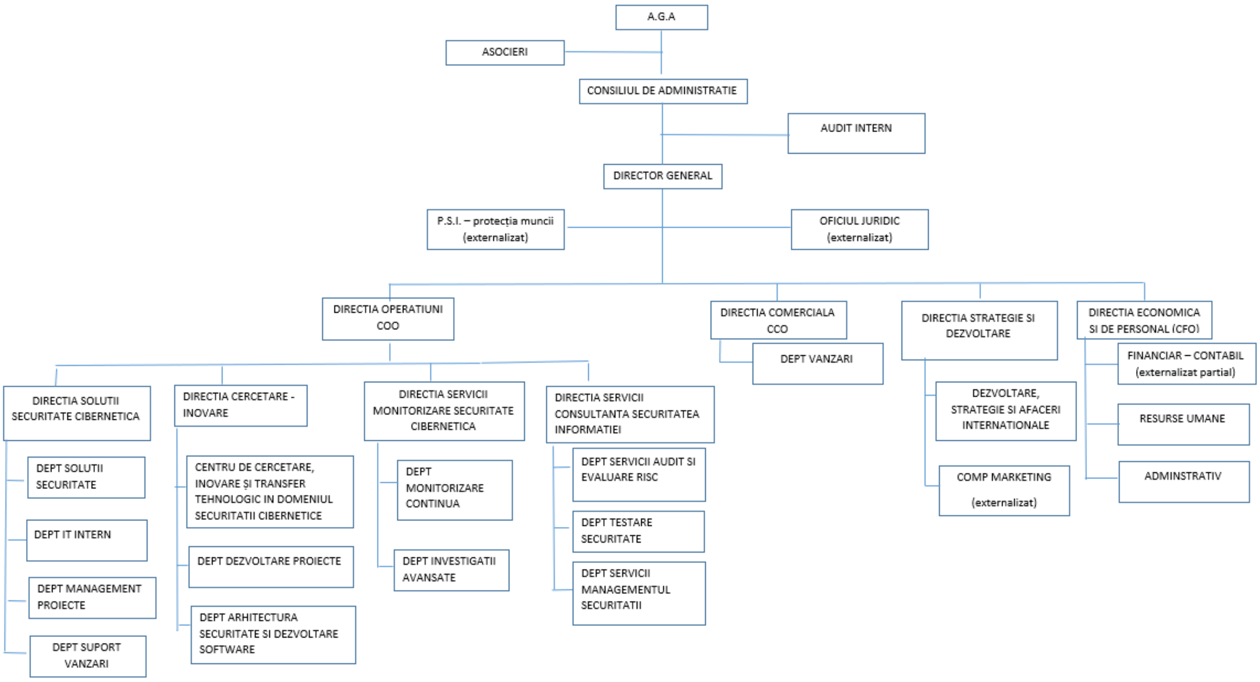
The activity of Safetech Innovations has no impact on the environment. There are no disputes, nor are there any anticipated disputes related to environmental aspects.

EMPLOYEES

Safetech Innovations had on December 31st, 2023, 62 full time employees, an increase of 12 new colleagues compared to the same period of the previous year. 88% of Safetech employees have higher (university) education. The division of employees into departments is as follows:

- Commercial Department: 9
- Strategy and Development Department: 1
- Department of Cybersecurity Solutions: 4
- Information Security Consultancy Services Department: 10
- Department of Cybersecurity Monitoring Services: 19
- Research - Innovation Department: 13
- Economic and Personnel Department: 3
- General Manager and Board of Directors: 3

Safetech Innovations organization chart looks as follows:



At the level of Safetech Innovations S.A. there is a collective labor agreement negotiated. The employees are not organized in the union. The collective labor contract was negotiated with an employee representative and is registered with ITM.

DIRECTORS AND EXECUTIVE MANAGEMENT

The company is managed by a Board of Directors, consisting of 3 members, appointed by the Ordinary General Meeting of Shareholders dated 18.04.2022:

- Victor Gansac;
- Alexandru-Florin Mihailciuc; and
- Mircea Varga;

Victor GANSAC – BoD Chairman and General Manager

Victor Gansac was appointed as a member of the Board of Directors through the OGMS Decision dated 18.04.2022 and also serves as the General Manager of the Company.

Ownership percentage: Victor Gansac is co-founder of Safetech Innovations and holds 31.6014% of the shares issued by the Company. Victor Gansac is not part of the SOP program approved at the level of the Company.

Remuneration: For the fiscal year ended on 31.12.2023, Mr. Victor Gansac, as Chairman of the Board of Directors and General Manager of the Company, received a gross remuneration of RON 252,000, as well as benefits in the amount of 950 lei, representing private clinic subscription.

Additional information, according to legal regulations:

(i) At 31.12.2023, Victor Gansac held 20% of Safetech Intelligence S.R.L, a company without activity;

(ii) For the past 5 years, Victor Gansac has not been banned by a court from serving as a member of the board of directors or supervisor of a company.

(iii) In the last 5 years, there have been no cases of insolvency, liquidation, bankruptcy or special administration of some companies, of which Victor Gansac is a member of the board of directors or supervisor.

(iv) Victor Gansac has no professional activity that competes with that of the Company and is not part of any agreement, understanding or family relationship with a third party due to which he would have been appointed administrator.

The Chairman of the Board of Directors carries out his activity based on a mandate contract, in accordance with the OGMS Decision date 18.04.2022.

Education:

- 2002: Engineer's Diploma / High education degree (Computer Systems Science) - Facultatea de Automatica și Calculatoare, Universitatea Politehnica, Bucharest;
- Certifications: CISSP (Certified Information Systems Security Professional), CSSLP (Certified Secure Software Lifecycle Professional), CISA (Certified Information Systems Auditor), CISM (Certified Information Security Manager), CIPT (Certified Information Privacy Technologist), and GICSP (Global Industrial Cyber Security Professional).

Professional experience:

- **18.04.2022 – present**: Chairman of the Board of Directors and General Manager of Safetech Innovations;
- **01.06.2011 – 18.04.2022**: Sole Director of Safetech Innovations;
- **01.01.2010 – 31.05.2011**: Manager of the Security Management Department within the Banking Security Department (Raiffeisen Bank);
- **01.05.2007 – 31.12.2009**: Security Strategy and Planning Coordinator within the Security Management Department (Raiffeisen Bank);
- **01.06.2002 – 30.04.2007**: Network Administrator (Raiffeisen Bank).

Alexandru-Florin MIHAILCIUC – Non-executive and independent member of the BoD

Alexandru-Florin Mihailciuc was appointed as a member of the Board of Directors through the OGMS Decision dated 18.04.2022.

Ownership percentage: On 31.12.2023, Mr. Mihailciuc held 120,437 shares of the Company. Mr. Mihailciuc was included in the second year of the Issuer's SOP program, being granted 31,000 options, each option giving the right to obtain a share of the Company, free of charge. The options will be able to be exercised at the time of the completion of the option term (12 months from the date of signing the option contracts).

Remuneration: For the fiscal year ended on 31.12.2023, Mr. Mihailciuc, as member of the BoD, received a gross remuneration of RON 60,000, having no other benefits granted by the Company.

Additional information, according to legal regulations:

(i) At 31.12.2023, Alexandru-Florin Mihailciuc held the position of Vice President, Sales Engineering, Customer Success & Renewals Lead EMEA at UiPath;

(ii) For the past 5 years, Alexandru-Florin Mihailciuc has not been banned by a court from serving as a member of the board of directors or supervisor of a company.

(iii) In the last 5 years, there have been no cases of insolvency, liquidation, bankruptcy or special administration of some companies, of which Alexandru-Florin Mihailciuc is a member of the board of directors or supervisor.

(iv) Alexandru-Florin Mihailciuc has no professional activity that competes with that of the Company and is not part of any agreement, understanding or family relationship with a third party due to which he would have been appointed administrator.

Alexandru-Florin Mihailciuc carries out his activity based on a mandate contract, in accordance with the OGMS Decision date 18.04.2022.

Education:

- **2011**: Academia de Studii Economice, Bucharest – PhD (Environmental Economics);
- **2009**: Academia de Studii Economice, Bucharest – Master's Degree (Environmental Economics);
- **2008**: Universitatea Români - Americană – Bachelor's Degree (European Integration Economics);
- **2007**: Academia de Studii Economice, Bucharest – Bachelor's Degree (Environmental Economics).

Professional experience:

- **Septembrie 2020 – present:** Vice President, Sales Engineering, Customer Success & Renewals Lead EMEA (UiPath);
- **2017 – 2020:** Vice President, Global Head of Sales Engineering (UiPath);
- **2015 – 2017:** Assistant Vice President, End User Computing & Customer Service Practice & Solutions Leader EMEA and LATAM regions (GENPACT);
- **2014 – 2015:** Senior Manager, Global Account Manager & EUC Practice and Solutions Lead EMEA (GENPACT);
- **2013 – 2014:** Senior Manager, Global Account Manager (GENPACT);
- **2013 – 2013:** Manager, Regional Program Manager (GENPACT);
- **2011 – 2013:** Project Manager (BPM Wave – Software Development and IBM official solutions integrator);
- **2009 – 2011:** Sales & Acquisition Manager (ALTO IMPEX– Dairy Industry);
- **2007 – 2009:** Management Trainee in IT Services (GENPACT);
- **2005 – 2007:** Part Time IT Analyst (Alpen Rose International – Petrochemical Industry).

Mircea VARGA – Non-executive and independent member of the BoD

Mircea Varga was appointed as a member of the Board of Directors through the OGMS Decision dated 18.04.2022.

Ownership percentage: On 31.12.2023, Mr. Varga held 59,289 shares of the Company. Mr. Varga was included in the second year of the Issuer's SOP program, being granted 31,000 options, each option giving the right to obtain a share of the Company, free of charge. The options will be able to be exercised at the time of the completion of the option term (12 months from the date of signing the option contracts).

Remuneration: For the fiscal year ended on 31.12.2023, Mr. Varga, as member of the BoD, received a gross remuneration of RON 60,000, having no other benefits granted by the Company.

Additional information, according to legal regulations:

(i) At 31.12.2023, Mircea Varga held the position of Chairman of the Board of Directors of Teilor Holding S.A., Director of Invest Intermed GF IFN S.R.L., Director of Teilor Invest Exchange S.R.L. and director and Majority Shareholder of Strong Business S.R.L.;

(ii) For the past 5 years, Mircea Varga has not been banned by a court from serving as a member of the board of directors or supervisor of a company.

(iii) In the last 5 years, there have been no cases of insolvency, liquidation, bankruptcy or special administration of some companies, of which Mircea Varga is a member of the board of directors or supervisor.

(iv) Mircea Varga has no professional activity that competes with that of the Company and is not part of any agreement, understanding or family relationship with a third party due to which he would have been appointed administrator.

Mircea Varga carries out his activity based on a mandate contract, in accordance with the OGMS Decision date 18.04.2022.

Education:

- **1999 – 2001**: Corps of Chartered Accountants and Chartered Accountants from Romania – Chartered Accountant and Chartered Accountant;
- **1996 - 1997**: Universitatea de Vest, Timisoara – Master's Degree (Business Analysis and Diagnosis);
- **1991 – 1996**: Universitatea de Vest, Timisoara – Bachelor's Degree (Construction, Transport and Telecommunications Management).

Professional experience:

- **2022 – present,** Board Member, Sfatech Innovation S.A.;
- **2021 – present,** Director, Invest Intermed GF IFN S.R.L.;
- **2021 – present,** Director, Teilor Invest Exchange S.R.L.;
- **2020 – present,** Board Member, Teilor Holding S.A. (currently chairman of the Board of Directors);
- **2020 – 2020,** Chairman of The Board, Smart Plantation S.R.L.;
- **2019 – 2020,** Board Member, Allianz-Tiriac Pensii Private S.A.;
- **2014 – 2020,** Chief Financial Officer and Member of the Board, Tiriac Group;
- **2014 – 2020,** Managing Shareholder, GlobeGround Romania S.A.;
- **2014 – 2020,** Managing Shareholder, Bucharest International Cargo Centre SA (BICC);
- **2014 – 2020,** Managing Shareholder, Meteor SA;
- **2014 – 2020,** Managing Shareholder, Universal SA;
- **2014 – 2014,** Chief Financial and Administrative Officer, EnergoBit Group;
- **2008 – 2014,** Chief Financial Officer and Board Member, Macon Group;
- **2006 – 2008,** Chief Financial and Country Holding Officer, Electrolux Romania S.A.;
- **2005 – 2006,** Chief Financial Officer, Euroholding Group;
- **2005 – 2006,** Executive Director European Drinks Group;
- **1996 – 2005,** Audit Manager, Resident Manager for Transylvania, Pricewaterhouse Coopers Romania.

KEY EVENTS IN 2023 AND AFTER THE CLOSING OF THE REPORTING PERIOD

LISTING ON THE MAIN SEGMENT OF THE BVB

On **February 6, 2023**, SAFE shares debuted on the Main Segment of the Bucharest Stock Exchange.

ESTABLISHMENT OF A SUBSIDIARY IN THE UNITED STATES OF AMERICA

On April 20, 2023, Safetech Innovations announced to investors about the establishment of a subsidiary in the United States of America (USA). The new entity, Safetech Innovations US, Inc., is headquartered at 12110 Sunset Hills Road, Suite 600, Reston, VA 20190. The Company owns 67% of the share capital of the newly established subsidiary. The opening of the US branch represents the third international location where the Company is present, following the opening of offices in the UK and the United Arab Emirates during 2022.

EGMS AND OGMS FROM 24.04.2023

On **March 22, 2023**, Safetech's Board of Directors convened the Extraordinary and Ordinary General Meetings of the Company's Shareholders for April 24, 2023. The legal and statutory quorum was constituted at first convocation.

The key points approved during the two meetings were:

(i) The distribution of 1,995,000 lei, from the net profit related to the financial year 2022, for the distribution of dividends to the Company's shareholders;

(ii) Approval of the Revenue and Expense Budget;

APPOINTMENT OF A CHIEF OPERATING DIRECTOR (COO)

On **May 2, 2023**, Safetech Innovations informed the shareholders about the appointment of Mr. Ionut Georgescu as Chief Operating Officer (COO) of the Company. Mr. Georgescu's mandate began on May 2, 2023, the contract being signed for an undetermined period of time.

Mr. Georgescu is an executive with over 21 years of experience in the IT and information security industry. Before joining the Safetech Innovations team, Ionut Georgescu was Senior Manager, Advanced Security Analysis at Dell Secureworks, where he coordinated multiple multinational teams delivering security services for top international companies.

As COO of the company, Ionut Georgescu will play an essential role in Safetech Innovations' global strategy. His main objective will be to position the company as a top provider of cybersecurity services and solutions in Romania, the United Kingdom, the United States, and the United Arab Emirates, countries where Safetech Innovations has subsidiaries

CONCLUSION OF A SIGNIFICANT CONTRACT

On **May 11, 2023**, the Company informed the interested parties about the conclusion of a significant contract, in the amount of EUR 790,000 (without VAT), which aims to provide CERT/CSIRT (Information Security Incident Response Center services), the contract being concluded for a period of 3 years starting from the date of its conclusion.

ENTERING INTO A PARTNERSHIP WITH PHRIENDLY PHISHING

On **June 12, 2023**, the Company informed shareholders of the conclusion of a partnership with Phriendly Phishing, a global company specializing in the provision of cybersecurity training and phishing simulation solutions. Following this partnership, the Company became a distributor in Europe and Great Britain of the solutions provided by Phriendly Phishing.

CONCLUSION OF A SIGNIFICANT CONTRACT

On **June 12, 2023**, the Company informed the interested parties about the conclusion of a significant contract, in the amount of EUR 2,358,000 (without VAT), which aims to provide cybersecurity services, the contract being concluded for a period of 3 years starting from the date of its conclusion.

DIVIDEND PAYMENT FOR THE YEAR 2022

On **July 10, 2023**, the Company paid the dividend for year 2022 to the Company's shareholders registered in the Shareholders' Register held by Depozitarul Central S.A. on the registration date June 23, 2023. The gross distributed dividend was 0.03 lei/share, the total value of dividends paid being 1,995,000 lei.

CONCLUSION OF A PARTNERSHIP WITH THE NATIONAL DIRECTORATE OF CYBER SECURITY IN ROMANIA

On **July 26, 2023**, the Company informed investors about the conclusion of a partnership with the National Cyber Security Directorate, which involves collaboration in various areas, such as: adopting and supporting each other in adopting appropriate measures to prevent the recurrence of similar cybersecurity incidents , research and development activities of common security technologies, the organization of joint training activities both for the own staff of the two entities and for other organizations with responsibilities in the same field of competence, as well as the development of recommendations, guidelines and best practices in the field of critical communications and IT infrastructures.

EGMS RESOLUTIONS DATED 06.09.2023

On **September 6, 2023**, the Extraordinary General Meeting of Shareholders of the Company approved the distribution of the remaining shares in the Company's treasury, following the exercise and/or allocation of the rights to option of eligible people who have been or will be included in the Stock Option Plan reward program, as a performance bonus for people who work within the Company (employees, collaborators, directors, members of the Company's management bodies, etc.).

CYBER RUNWAY PROGRAM SELECTION

On **September 29, 2023**, the Company informed investors regarding the inclusion of its UK subsidiary, SAFETECH INNOVATIONS GLOBAL SERVICES LIMITED ("Safetech UK"), in the prestigious Grow and Scale streams developed by Cyber Runway, the UK's largest cybersecurity accelerator. Within Cyber Runway, Safetech UK joins the Scale program, which focuses on scaling up startups locally and globally. Under the program, Safetech UK will receive support and mentoring in product development and engineering, investment and financing, and business development.

CONCLUSION OF A SIGNIFICANT CONTRACT

On **November 1, 2023**, the Company informed the market about the conclusion of a significant framework agreement, which value exceeds 10% of the total revenue of the last annual financial statements, for the provision of monthly and annual services to ensure cyber protection and computer infrastructure resilience. The contract has a total value of RON 4,045,844.26 (VAT excluded) and was concluded for a period of 48 months, starting with October 31, 2023.

DISTRIBUTION OF SHARES UNDER THE SOP

On **November 14, 2023**, the Company informed the shareholders about the free assignment of 433,703 shares to employees and members of the Company's management bodies. The shares were assigned as a result of the shareholders' approval during the EGMS on July 21, 2022 of the Stock Option Plan program.

EGMS RESOLUTIONS DATED 21.12.2023

On **December 21, 2023**, the Extraordinary General Meeting of the Company's Shareholders approved the establishment by the Company of a new entity in the Kingdom of Saudi Arabia, as well as the introduction of a new article in the Company's articles of incorporation, so that it can carry out research projects -development-innovation (CDI) and technological transfer.

CONCLUSION OF A SIGNIFICANT CONTRACT

On **February 13, 2024**, the Company informed the market about the signing of a significant contract whose value exceeds 10% of the total revenues related to the last annual financial statements, with the object of providing software products to ensure application-level protection mechanisms and the purchase of access services to Threat Intelligence sources, to secure the infrastructure, centrally managed software solution for application-level protection. The contract has a total value of 3,563,280 lei (without VAT) and was concluded for a period of 30 days from the date of conclusion of the contract.

ESTABLISHMENT OF A SUBSIDIARYTHE KINGDOM OF SAUDI ARABIA

On **March 11, 2024,** Safetech Innovations announced its investors regarding the establishment of a subsidiary in the Kingdom of Saudi Arabia, based in Riyadh. The Company owns 100% of the share capital of the established subsidiary, and the new entity will be managed by Mr. Victor Gânsac.

ANALYSIS OF THE FINANCIAL RESULTS

INDIVIDUAL P&L ANALYSIS

In 2023, the Company's turnover amounted to RON 31.1 million, an 11% decrease compared to 2022. During the year, cybersecurity services contributed 31% to the total turnover, and the implementation of cybersecurity solutions contributed 69%. In 2023, Safetech Innovations gained 14 new customers from the Romanian market.

Other operating revenues increased by 361% in 2023, up to RON 1.6 million, in this category being included the revenues representing subsidies for investments transferred into revenues and corresponding to the depreciation recorded for own solutions (non-reimbursable European funds project, completed in 2019).

In terms of expenses, in 2023, the biggest contribution was represented by employee benefits expenses, which increased by 16% compared to 2022, reaching RON 11.5 million. The Company had 62 employees at the end of 2023, up from 50 employees at the end of 2022. The increase in staff was due to the hiring of 3 new colleagues in the sales team and 9 colleagues in the technical team for monitoring and responding to cybersecurity incidents. The second major cost is the cost with merchandise, which increased by 71% compared to 2022, up to approximately RON 10 million. This increase is driven by the larger size of the business and represents the cost of the implemented solutions.

Other operating expenses decreased by 15% in 2023, up to RON 4.4 million. This category includes services performed by third parties, royalty expenses, management premises and rents, as well as postage and telecommunications charges. The decrease is also caused by not including the cost of goods in this category, while the other expenses, representing the costs with the equipment and licenses related to the project with EU funds, registered a lower level than those in 2023. The costs of raw materials and consumables also registered a decrease of 41% in 2023 compared to the previous year, up to RON 7.1 million due to registering a lower turnover compared to last year.

Depreciation and value adjustments decreased by 24% in 2023 to RON 2.4 million and represent fixed assets such as laptops, furniture, monitors, as well as a process automation solution, purchased in 2021 as part of the EU research and development project, necessary to carry out the activity in order to increase the company's competitiveness. These elements generate expenses with monthly amortization, by amortizing them using the straight-line method.

The category of provisions, worth RON 121 thousand, represent receivables from uncertain customers, whose maturity has exceeded 6 months or are facing insolvency.

The operating profit at the individual level reached RON 11.1 million in 2023, a decrease of 5% compared to the previous year, mainly due to registering a lower turnover compared to last year.

Financial expenses increased by 12% compared to 2022, reaching RON 225 thousand. At the same time, financial revenues decreased by 28% in 2023, up to RON 115 thousand. Therefore, the gross result for 2023 was RON 11 million, a 5% decrease compared to the previous year. The profit tax decreased by 9%, up to RON 1.3 million in 2023, in line with the decrease in the gross result. Therefore, the net result for 2023 was RON 9.7 million, a decrease of 5% compared to the previous year.

PROFIT AND LOSS ACCOUNT INDICATORS (RON)	2023	2022	Δ %
Turnover	31,111,185	34,928,901	-11%
Operating result	11,125,305	11,671,282	-5%
Gross profit	11,015,603	11,631,904	-5%
Net profit	**9,738,449**	**10,235,808**	**-5%**

BUSINESS & SALES STRATEGY

The goal of management is always targeted on profit, not revenue, and this can be achieved through an appropriate sales and marketing strategy that covers multiple sectors and markets. In 2023, given the demand of the markets but also of the legislative context, the business strategy is focused on increasing the number of new clients and implicitly the profitability.

Safetech's sales team applies the method of advisory sales, being the most appropriate method for the type of services and solutions that the Company offers. Each client/potential client is assigned a dedicated salesperson who together with the team of specialists, identifies and proposes solutions and services that cover the requirements formulated by the client. Thus, with each client won, there is a significant potential to increase the value of the services initially contracted. For example, security monitoring contracts usually come bundled with the governance, security risk and compliance service. For customers requesting security tests, additional services are usually recommended following the test result.

In support of sales efforts, the sales team benefits from the expertise of the Company's technical specialists who provide support in organizing free demonstrations of portfolio solutions through pilot implementations, to prove the ability to implement these solutions in the infrastructure of potential clients.

The 2023 marketing budget was built to support the activities of generating new opportunities using mainly digital channels such as websites, social networks, publishing articles in press. The most important activity is the organization of webinars, with a bi-monthly frequency, conducted with own resources or in collaboration with technology partners aimed at disseminating information on cybersecurity risks to which all types of organizations are exposed.

In order to achieve the objective of increasing the number of customers and profitability, the company has taken the first steps, including in terms of opening international sales channels.

All these activities are supported by software tools such as ERP, CRM, Marketing Automation, Resource Management, Team Collaboration, which began to be implemented in 2020 in order to integrate and automate business processes.

SIGNIFICANT CLIENTS

Client	CAEN code	Share
Client 1	Banking	16%
Client 2	Telecommunications	14%
Client 3	Utilities	7%
Client 4	Health	5%
Client 5	Telecommunications	5%

In 2023, the largest 5 clients of the company had a share of approximately 47% of total turnover. The concentration of revenues of certain selected customers can be explained by the fact that the market to which Safetech addresses is represented by medium or large companies. Top 5 clients are large companies in the financial-banking or utilities sector, companies with which Safetech has had strategic partnerships for years and have been running multi-annual contracts for at least 3 years. Under these contracts, Safetech delivers diversified packages of services and solutions. It is important to mention that, from a historical point of view, the first 5 customers have never remained the same but have changed every year. This is caused by a different level of needs each year, as well as the resale of other adhesion services.

The high concentration of revenues, but also of suppliers is specific to mature economies, as Romania is becoming, with quite concentrated markets and business verticals. In almost any business, the commercial results have a Pareto type distribution (80/20), which is natural. For example, if a business wants to sell specific or specialized services, this leads to a narrow, niche list of suppliers, in order to determine the concentration of human resources specialization on the niche segment in which it operates and thus the list of customers that contribute to the largest share of income is reduced. In practice for specialized activities, concentrated revenues come from multi-annual contracts, framework contracts that generate recurring revenues.

In conclusion, the above-mentioned percentages of 47% per client can indicate a risk only in theory, in practice they are natural, a consequence of the way the free market works. Risk reduction is achieved through business development activities that include prospecting, qualification and contracting new clients who, through loyalty strategies, become recurring sources of income. It is important to note that a company's need for cybersecurity services never ends - which means that the business model predicts that new customers will continually need cybersecurity services and for certain services and products, Safetech is among the few authorized suppliers on the local market.

MAIN OPERATIONAL INDICATORS

The main operational indicators with which the company measures the productivity and efficiency of the activity are: profitability, value productivity, the degree of customer satisfaction, the degree of employee satisfaction.

From the point of view of business strategy, it is important to emphasize that the share of individual business lines in total revenues may differ from year to year. This is due to the fact that Safetech Innovations team is flexible and adapts to the needs of the market, and always aims to be profitable. Given the legislative context and demand, individual services may have different profit margins each year. The objective of management is to always pursue profit rather than income and prioritize value-added projects with the highest profit margins.

	2020	2021	2022	2023
Net profit margin	21%	27%	30%	31%

It is important to note that Safetech's sales team is rewarded with a bonus from each sale. The bonus varies from 1% to 5% of the gross margin, with different value depending on the line of business and the profitability of the contract. In this way, the Company ensures that the team is motivated to join and stay in the Company and to deliver significant projects.

The company's business model allows the successful resale of other member services. Each client has a dedicated account manager who, following the discussion with the technical team that solves the client's request, can identify new opportunities, and recommend additional products or services. Thus, with each customer won, there is a significant potential to increase the value of the services delivered. For example, security monitoring contracts usually come with the security governance service. For customers requesting penetration tests, additional services are usually recommended as a result of the test result.

For potential customers interested in Safetech solutions and services, free demonstrations of the operation of the solutions are provided, through pilot implementations at their headquarters, to prove the usefulness of their implementation.

To ensure employee satisfaction, each year the Company collaborates with an external consultant who conducts individual interviews with all employees and then reports the results, anonymously, to management. As a result of this measure, the Company carried out a reorganization completed in 2020, as part of the process of preparing the listing on the Bucharest Stock Exchange, to maximize the benefits offered by listing and offer investors a company with a well-defined corporate structure, capable to provide consistent profits.

INDIVIDUAL BALANCE SHEET ANALYSIS

At the end of 2023, total assets reached RON 57.7 million, a 9% increase compared to the end of 2022, driven by a 51% increase in intangible assets, up to RON 40.6 million. Fixed assets increased by 41% in 2023, reaching RON 46.7 million, as a result of the 51% increase in intangible assets put into operation and under construction. 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 represent the stage of realization of the Company's own product.

Current assets decreased by 44%, up to RON 11.1 million. This category consists primarily of receivables, which at the end of 2023 reached RON 7.2 million, down 55% compared to 31.12.2022 as a result of the collection of part of the sums related to the contracts executed in 2022. Cash and cash equivalents reached RON 3.5 million at the end of 2023, remaining constant with the position at the end of 2022.

At the end of 2023, equity reached RON 34.9 million, a 28% increase compared to December 31, 2022, as a result of the 55% increase in retained earnings, up to RON 17.1 million.

Non-current liabilities increased in 2023 by 2%, reaching RON 14.4 million. This increase is determined by the increase in the value of subsidies for investments, which at the end of 2023, amounted to RON 13.4 million lei, an increase of 2% compared to the situation on December 31, 2022, representing subsidies related to projects from non-reimbursable funds in execution. As for the bank liabilities, it is composed only of leasing contracts, the value of which decreased by 2% at the end of the year, reaching RON 1.1 million.

Current liabilities reached RON 8.4 million at the end of the year, a decrease of 26%, determined by the 30% decrease in trade and other payables, up to RON 6.1 million. Liabilities related to short-term leasing contracts increased by 9% in 2023, reaching RON 307 thousand, while other current liabilities reached RON 1.4 million, a decrease of 21% compared to December 31, 2022. This includes wages for employees, VAT and payroll taxes and duties.

The provisions increased by 123% at the end of 2023, compared to 2022, up to the amount of RON 220 thousand, representing receivables from uncertain customers, whose maturity exceeded 6 months or which are facing insolvency.

BALANCE SHEET INDICATORS (LEI)	31.12.2023	31.12.2022	Δ %
Fixed assets	46,668,740	33,193,023	41%
Current assets	11,065,818	19,653,307	-44%
Total assets	**57,734,558**	**52,846,330**	**9%**
Equity	34,942,401	27,316,000	28%
Non-current	14,432,658	14,188,629	2%
Current liabilities	8,359,498	11,341,701	-26%
Total equity and liabilities	**57,734,557**	**52,846,330**	**9%**

CONSOLIDATED P&L ANALYSIS

The consolidated results for 2023 include the financial performance of Safetech Innovations S.A. and Safetech Innovations Global Services Limited ("Safetech UK"), an entity whose activity is carried out in Great Britain and in which Safetech Innovations S.A. holds a 67% stake.

In 2023, the Company recorded a consolidated turnover of RON 31.1 million, down 2% compared to 2022, similar to that recorded at an individual level, considering that the UK entity did not generate sales in 2023. Other operating revenues registered a significant increase of 364%, up to RON 1.6 million, representing the share of subsidies for investments transferred to income, corresponding to the depreciation recorded at an individual level. Also, rent expenses increased in 2023 by 3,282% compared to the end of 2022, reaching RON 243 thousand, the increase mainly representing the rent costs generated by the UK entity's workspace, which were not reflected in full in the financial statements for 2022, with Safetech UK becoming operational at the end of August 2022. Costs with employee benefits increased by 44% in 2023 compared to 2022, reaching RON 15.6 million, and other operating expenses increased by 8%, up to RON 5.7 million, the increases being also generated by the reflection in the accounting of costs for a whole year, regarding Safetech UK.

Therefore, the consolidated gross result for 2023 was RON 5.1 million, a decrease of 31% compared to the previous year. Tax on profit decreased by 9% to RON 1.3 million in 2023. Therefore, the net result for 2023 was RON 3.8 million, a decrease of 36% compared to the previous year.

In relation to the results mentioned above, the management of the Company wishes to state that, following an assessment carried out at the end of 2023, which aimed to identify the means of accelerating the development of Safetech UK on the UK market, Safetech UK has adopted a new strategy, of focusing on a larger volume of lower value contracts. At the same time, following this evaluation, the management of Safetech Innovations reorganized the respective entity, reducing the expenses related to Safetech UK by 40%. The Company's management expects that the effects of this reorganization will be visible starting from Q2 2024.

In line with its UK contracting strategy since the start of 2024, Safetech UK has already signed the first contracts and has been awarded contracts that are in the process of being signed, worth around £150k and has more opportunities in the pipeline. The focus on pursuing smaller value contracts supports a more dynamic response to market opportunities and facilitates a steady revenue stream, avoiding the long negotiation and project initiation periods observed with larger contracts.

The company will continue to implement this strategy throughout this year and will inform the market of any significant updates regarding Safetech UK.

PROFIT AND LOSS ACCOUNT STATEMENT (RON)	2023	2022	Δ %
Turnover	31,126,916	31,763,519	-2%
Operating result	5,302,476	7,510,559	-29%
Gross result	5,107,728	7,425,252	-31%
Net result	**3,830,575**	**6,029,156**	**-36%**

CONSOLIDATED BALANCE SHEET ANALYSIS

On a consolidated level, on December 31, 2023, fixed assets amounted to RON 42.9 million, an increase of 46% compared to December 31, 2022, while current assets recorded a value of RON 12.3 million, a decrease of 37%. Current liabilities amounted to RON 16 million, an increase of 39%, and long-term liabilities remained constant compared to the end of 2022, with a value of RON 14.4 million. Equity reached RON 24.7 million, an 8% increase.

BALANCE SHEET (LEI)	31.12.2023	31.12.2022	Δ %
Fixed assets	42,875,783	29,332,870	46%
Current assets	12,273,316	19,466,018	-37%
Total assets	**55,149,100**	**48,798,888**	**13%**
Equity	24,750,467	22,975,975	8%
Non-current liabilities	14,432,657	14,333,459	1%
Current liabilities	15,965,975	11,489,454	39%
Total equity and liabilities	**55,149,100**	**48,798,888**	**13%**

ISSUER TANGIBLE ASSETS

To carry out daily activities, Safetech Innovations owns assets such as laptops, computers, mobile phones, multifunctional printers, as well as furniture items, located at the company's headquarters. The degree of wear and tear of the properties owned by the company does not raise significant problems on the activity. The IT equipment owned by the company has a degree of physical wear and tear specific to office activity - small. There are no ownership issues over the company's tangible assets.

DIVIDEND POLICY

The Board of Directors of the Company sets out the following relevant principles with respect to dividend policy:

- The Company recognizes the rights of shareholders to be remunerated in the form of dividends, as a form of participation in the net profits accumulated from the operation as well as an expression of the remuneration of the capital invested in the Company.
- As a growth company with significant development potential, the management of Safetech Innovations aims to achieve a balance between rewarding shareholders and maintaining access to the capital needed for development. Therefore, the Company proposes to shareholders that, depending on the investment needs each year, it will either grant a cash dividend or reward investors by granting shares free of charge, following the capitalization of a portion of the Company's net profits. The company is also considering the introduction of a hybrid model, in which part of the profits will be capitalized and shareholders will receive free shares of the company, while another part will be granted through cash dividends, thus achieving a fair balance between allowing the company to develop, but also rewarding the shareholders.
- The proposal regarding the distribution of dividends, in the form of cash, free shares, or both, including the distribution rate, will be made by the Board of Directors of the Company through a current report or within financial statements. The decision on approving the distribution of dividends belongs to the General Meeting of Shareholders, in accordance with the applicable law.
- Any change in the company's dividend policy will be communicated to investors in a timely manner, through a current report sent to the market.

This policy will be reviewed by the Board of Directors whenever additional relevant information regarding the distribution of dividends occurs. This policy is published on the official website of the Company, **HERE.**

In the last 3 years the company has given dividends to its shareholders. Details of how the profit was distributed are shown below:

- 2020 - 14% (437,500 lei) from net profit distributed as cash dividends, 81% (2.5 million lei) for the share capital increase and the distribution of bonus shares, 4% for legal reserves (125 thousand lei);
- 2021 - 67.5% (4,156,250 lei) of the net profit for 2021 was distributed to shareholders in the form of cash dividends, representing a gross dividend per share of 0.25 lei;
- 2022 - 19% (1,995,000 lei) of the net profit for 2022 was distributed to shareholders in the form of cash dividends, representing a gross dividend per share of 0.03 lei

PROFIT DISTRIBUTION PROPOSAL

For the profits from 2023, the management will evaluate in the Q3 2024 the possibility of granting cash dividends, taking into account the need to co-finance projects with European funds already won, as well as those with a high potential to be won by the Company. The proposal will be submitted to vote in an Ordinary General Meeting of the Company's Shareholders.

BUY-BACK PROGRAM AND STOCK OPTION PLAN

In the period November 06-10, 2023, Safetech Innovations concluded option contracts based on the SOP program, the shares to be granted after the exercise of the options by the SOP beneficiaries, after the expiration of a period of 12 months from the date of signing the option contracts.

As of the date of this report, the Company does not hold treasury shares, the treasury shares obtained following the buy-back program being fully allocated within the SOP program, at the end of 2023, according to the information published **HERE**.

PERSPECTIVE ASPECTS REGARDING ISSUER'S ACTIVITY

On **February 27th, 2024**, together with the publication of the report on the preliminary financial results for 2023, the Company published the 2024 Revenue and Expenditure Budget. The budget was drawn up by the Company's management and was validated by the Company's Board of Directors and will be subject to approval in the annual Ordinary General Meeting of Shareholders, which will take place on April 17, 2024.

For the year 2024, the Revenue and Expenditure Budget takes into account recurring revenues that exceed the value of the Company's operating expenses (at the level of 2023, recurring revenues represented 70% of revenues from services).

Safetech Innovations management anticipates that in 2024, amid increasingly complex cybersecurity challenges, the need for cybersecurity services and solutions will intensify.

The beginning of this year is a promising one, with Safetech Innovations Romania signing recurring contracts for monitoring and responding to cybersecurity incidents with four new clients, until the publication of this report, as well as a significant contract announced this month, through current report no. 4/2024 (available **HERE**), with a value of approximately RON 3.6 million.

At the same time, Safetech Innovations Romania also signed three contracts for projects with European funds, totaling RON 4 million, through the company's involvement in various multinational consortia at European level. In addition, Safetech Innovations Romania won a project with European funds at the national level, worth RON 6.2 million, a contract that will be signed in the following period. In addition, the Company aims to apply for other projects of this kind, depending on the funding lines available at both national and European level.

Although the beginning of the year is a promising one, the 2024 Income and Expenditure Budget, drawn up by the Company's management, which Safetech Innovations will propose for approval at the Annual Ordinary General Meeting of Shareholders on April 17 2024, is a prudent one, taking into account the uncertainties that still hover over the economic environment.

2024 REVENUE AND EXPENDITURE BUDGET (RON)	CONSOLIDATED BUDGET	BUDGET RO	BUDGET UK	BUDGET SAUDI ARABIA
Total revenue	**64,765,000**	**57,130,000**	**5,295,000**	**2,340,000**
Turnover	54,205,000	46,600,000	5,265,000	2,340,000
Revenue from intangible assets	8,700,000	8,700,000	-	-
Other operating revenue	400,000	400,000	-	-
Other subsidy revenues	1,400,000	1,400,000	-	-
Financial revenues	60,000	30,000	30,000	-
Total expenses, of which:	**48,943,500**	**40,700,000**	**7,780,500**	**1,979,000**
Gross salary expenses	14,529,000	12,000,000	2,106,000	423,000
Expenses with materials	29,760,500	24,300,000	4,006,500	1,454,000
Financial expenses	332,000	200,000	30,000	102,000
Depreciation	4,322,000	4,200,000	1,638,000	
Gross profit	**15,821,500**	**16,430,000**	**(2,485,500)**	**361,000**
Income tax	2,768,998	2,628,800	-	140,198
Net profit	**13,052,503**	**13,801,200**	**(2,485,500)**	**220,803**
EBITDA	**20,143,500**	**20,630,000**	**(847,500)**	**361,000**
Personnel average number	*71*	*65*	*5*	*1*

RISKS

The risk related to scaling the business

The Issuer has recorded growth and increased demand for its products and services in recent years. As a result, the number of employees has increased significantly in recent years, and the Issuer expects it to continue this trend in the next year. For example, from the end of the fiscal year 2022 to the end of the fiscal year 2023, the number of employees increased by 12 In addition, as the Company developed, the number of end clients also increased significantly, and the Issuer managed more and more product and service systems implementations. The growth and expansion of the business, its products, services, and the level of support it provides to clients place significant pressure on the management, operational and financial resources. To effectively manage any future growth, the Issuer must continue to improve and expand its financial and information technology infrastructure, improve and expand its operational and systems infrastructure as well as operational control and administrative, and its capacity to manage assets, capital, and processes effectively, all of which may be more difficult to achieve as the Issuer's employees continue to work remotely.

The Issuer may not be able to successfully implement or scale improvements to its systems and processes efficiently or timely. In addition, existing systems and procedures may not be able to prevent or detect all errors, omissions, or fraud. The Issuer may also experience difficulties managing improvements to its systems and processes or in connection with software provided by third parties licensed to support the Issuer in connection with such modifications. Any future growth would add complexity to the Issuer's organization and require effective organization-wide coordination. Failure to effectively manage future growth could increase costs, disrupt existing relationships with end clients, reduce demand or limit the Issuer to smaller deployments of its products or harm its business performance and operating results.

Operating results may vary significantly from period to period and may be unpredictable

The Issuer's operating results may vary significantly from period to period and may be unpredictable, which could cause the market price of the Shares to decline. Although operating results, particularly revenues, gross margins, operating margins, and operating expenses, have shown increases in the prior period, they may vary as a result of several factors, many of which are beyond the control of the Issuer and may be difficult to predict, including:

- the Issuer's ability to attract and retain new end clients or to sell additional products and/or services to existing end clients;
- budget cycles, seasonal purchasing patterns, and purchasing practices of end clients, including the likelihood of a slowdown in technology spending due to the global economic slowdown;
- changes in the requirements of end clients, distributors or resellers, or market needs;
- price competition;
- the timing and success of the introduction of new products and services by the Issuer or its competitors or any other change in the competitive landscape of the industry in which the Issuer operates, including consolidation among its competitors or end clients and strategic changes, partnerships concluded by to and between the Issuer's competitors;
- the Issuer's ability to successfully and continuously expand its business nationally and internationally, particularly given the current global economic slowdown;

- changes in the growth rate of the cybersecurity industry;
- the Issuer's inability to complete or effectively integrate any acquisitions it may undertake;
- the increase in expenses or unforeseen liabilities and any impact on the operational results of the Issuer as a result of any acquisitions it makes;
- the ability of the Issuer to increase the scope and productivity of the distribution channel;
- decisions by potential end clients to purchase cybersecurity solutions from larger, internationally recognized security vendors or their primary network equipment vendors;
- the risk of insolvency or credit difficulties faced by end clients, which could increase due to the global economic situation, adversely affecting their ability to purchase or pay promptly or not at all for the Issuer's products and services, or the difficulties that the Issuer's key suppliers are facing, including its sole suppliers, which could disrupt the Issuer's supply chain;
- any disruption in the distribution channel or termination of the relationships that the Issuer has with important distribution partners, including due to the consolidation among distributors and resellers of cybersecurity solutions;
- the Issuer's inability to honor end client orders due to supply chain delays or events affecting the Issuer's suppliers and partners or their suppliers, which may be adversely affected by the effects of the global economic situation;
- the cost and results of potential litigation, which could have a significant adverse effect on the Issuer's business;
- seasonality or cyclical fluctuations of the market in which the Issuer operates;
- political, economic, and social instability caused by the military conflict initiated by the Russian Federation in Ukraine, the continuation of hostilities in the Middle East, terrorist activities, any disruptions caused by COVID-19 and/or any other pandemic or general health crisis that may occur and any disruption on what these events could cause in the global industrial economy; and
- the general macroeconomic conditions, both nationally and in the foreign markets where the Issuer is present, which could have an impact on some or all regions in which the Issuer operates, including the expected slowdown in global economic growth, the increased risk of inflation and the potential for global recession;

Any of the above factors or the cumulative effect of some of the above factors may result in significant fluctuations in the Issuer's financial and other operating results. This unpredictability could result in the Issuer's failure to meet its expectations regarding revenues, margins, or other operating results.

Continued global economic uncertainty may have an adverse effect on the Issuer's business and operating results

The Issuer operates in a globalized market, and therefore its business and revenues are interdependent on global macroeconomic conditions. International efforts to contain the spread of COVID-19 have significantly negatively affected global macroeconomic conditions, which continue to cause economic uncertainty. In addition, the military conflict generated by the Russian Federation in Ukraine, instability in global credit markets, rising prices of essential commodities (oil, electricity, etc.), changes in the domestic and international public policies, such as regulations, international taxes or trade agreements, international trade disputes, changes in governments, geopolitical turmoil and other disruptions to global and regional economies and markets continue to add uncertainty to global economic conditions.

These adverse conditions could result in reductions in sales of the Issuer's products and services, longer sales cycles, reductions in the duration and value of contracts with the Issuer's clients, slower adoption of new technologies, and increased price competition. As a result, any continued or more significant uncertainty or deterioration in global macroeconomic and market conditions could cause end clients to change their spending priorities or delay purchasing decisions, which affect the lengthening sales cycles, any of which may harm the business and operational results of the Issuer.

The rate of revenue growth in recent periods may not be an indicator of the Issuer's future performance

The Issuer's revenue for any prior quarterly or annual period should not be considered an indication of its future revenue or revenue growth for any coming period. If the Issuer cannot maintain consistent revenue or revenue growth, its shares may experience high volatility, making it difficult for the Issuer to achieve and maintain profitability or maintain and/or increase cash flow consistently.

The Issuer faces intense competition in the market in which it operates and may not have sufficient financial or other resources to maintain or improve its competitive position

Many of the Issuer's existing competitors have, and some of its potential competitors may have, substantial competitive advantages such as:

- greater name recognition and a longer operating history;
- larger budgets and resources for sales and marketing;
- wider distribution and established relationships with distribution partners and end clients;
- more customer support resources;
- greater resources to make strategic acquisitions or enter into strategic partnerships;
- lower labor costs and new product and/or service development;
- newer and/or disruptive products and/or technologies;
- broader and more mature intellectual property portfolios; and/or
- much greater financial, technical, and other resources.

In addition, some of the Issuer's more prominent competitors have substantially broader and more diverse product and service offerings, which may make them less sensitive to slowdowns in a particular market and allow them to leverage their relationships based on other products or incorporate functionality into existing products to gain business in a way that discourages users from purchasing the Issuer's products and/or services, including by selling at zero or negative margins, offering concessions or bundling products. Many of the Issuer's smaller competitors, specializing in protecting a single type of security threat, can often bring these specialized security products to market faster than the Issuer.

Organizations using traditional products and services may find that these products and services are sufficient to meet their security needs or that the Issuer's offerings meet the needs of only a portion of the cybersecurity industry. Accordingly, these organizations may continue to allocate their information technology budgets to traditional products and services and may not adopt the

Issuer's products and services. Many organizations have invested substantial financial and personnel resources to design and operate their networks and have established deep relationships with other network and security product vendors. As a result, these organizations may prefer to purchase from their existing suppliers rather than add or switch to a new supplier, such as the Issuer, regardless of product performance or better features or service offerings. These organizations may also be willing to incrementally add solutions to their existing security infrastructure management solutions rather than replace them entirely with the Issuer's solutions.

Market conditions in which the Issuer operates could change rapidly and significantly due to technological advances, partnerships, or acquisitions carried out by the Issuer's competitors or the continued consolidation of the market. Start-up companies that innovate and major competitors of the Issuer that make significant investments in research and development may invent similar or superior products and technologies that compete with the Issuer's products and services. Some of the Issuer's competitors have made or may make acquisitions of companies, enabling them to directly offer more competitive and comprehensive solutions than they previously provided and to adapt more quickly to new technologies and new end-client needs. Current and potential competitors of the Issuer may also establish cooperative relationships with each other or third parties that may further enhance their resources.

These competitive pressures in the market in which the Issuer operates, or its failure to compete effectively, may result in price reductions, fewer orders, reduced revenues, gross margins, and loss of market share. Any failure to address and face these factors could seriously harm the business and its operating results.

A network or data security incident may allow unauthorized access to the Issuer's network or data, harm its reputation, create additional liability issues, and adversely impact financial results

Companies are subjected to a wide variety of attacks on their networks constantly, with increasing frequency. In addition to traditional attacks led by "hackers," malicious code (such as viruses and worms), phishing attempts, theft, or employee misuse, sophisticated actors engage in intrusions and attacks (including advanced persistent attacks) that increase risks to the Issuer's internal networks and client-facing environments, as well as the information they store and process.

The incidence of cybersecurity breaches has increased. Despite significant efforts to create security barriers to such threats, it is practically impossible for the Issuer to mitigate these risks entirely. The Issuer and third-party service providers may face security threats and attacks from various sources. The Issuer's data, corporate systems, third-party systems, and security measures may be breached due to actions of third parties, employee error, malicious act, a combination of these factors, or otherwise, and, as a result, an unauthorized party may gain access to the Issuer's data.

In addition, as an established provider of security solutions, the Issuer may be a more attractive target for such attacks. A breach in the security of the Issuer's data or an attack against the availability of its services or its service providers could affect the Issuer's networks or secure product networks and create interruptions or slowdowns in the systems and the exploitation of security vulnerabilities of the Issuer's products, as well as information stored on its networks or those of its service providers. This data could be accessed, publicly disclosed, altered, lost, or stolen, which could cause financial harm.

Although the Issuer has not yet suffered significant damage as a result of unauthorized access by a third party to its internal network, any actual or perceived breach of the security of the Issuer's systems or networks could result in damage to its reputation, negative publicity, loss of partners, clients, and sales, loss of competitive advantages over its competitors, increased costs of remediating any problems and incident response, regulatory investigations and law enforcement actions, costly litigation, and other liabilities.

In addition, the Issuer may incur high costs and operational consequences to investigate, remediate, remove, and implement additional tools and devices designed to prevent actual or perceived security breaches and other security incidents, as well as compliance costs with any notification obligations arising from any security incident.

Any of these adverse effects may have a negative impact on the market perception of the Issuer's products and services, as well as on the confidence of end clients and investors in the Issuer. They could seriously affect its business or operating results.

Seasonality may cause fluctuations in the Issuer's revenue

The Issuer believes that important seasonal factors may cause the fourth fiscal quarter to record higher revenues than the fiscal year's first period. The Company believes that this seasonality results from several factors, including but not limited to the following:

- final clients whose fiscal year ends on December 31 and who choose to spend the remaining unused portions of their available budgets until the end of the fiscal year;
- seasonal reductions in commercial activity in July and August in the United States, Europe, and certain other regions, which could result in a negative impact on the Issuer's revenues; and
- the final client's budget planning at the beginning of the calendar year, which may lead to a delay in spending in the first part of the year, negatively impacting the Issuer's revenue in the first part of the fiscal year.

As the Issuer continues to develop, seasonal or cyclical variations in its operations may become more pronounced, and the Issuer's business, operating results, and financial position may be adversely affected.

If the Issuer fails to hire, integrate, train, retain, and incentivize qualified personnel and the Company's senior management, its business may suffer

The Issuer's future success depends, in part, on its ability to continue to hire, integrate, train, and retain qualified and highly skilled personnel. The Issuer is substantially dependent on the continued services of existing personnel, primarily due to the complexity of the Issuer's product and service offering. In addition, any failure to adequately hire, onboard, train and incentivize sales personnel, or the inability of newly hired sales personnel to effectively achieve targeted productivity levels, could adversely impact the growth and margin operations of the Issuer. Competition for highly qualified personnel, particularly in engineering, is often intense, especially in Bucharest, where the Issuer has a substantial presence and need for such personnel.

In addition, the industry in which the Issuer operates generally experiences high employee attrition. If the Issuer cannot hire, integrate, train, or retain the qualified and highly qualified personnel necessary to meet its current or future needs, its business, financial condition, and results of operations could be adversely affected.

The Issuer's future performance also depends on the continued services and contributions of the Issuer's management to execute the business plan and to identify and pursue new opportunities and product innovations. The loss of the services provided by these persons, the decrease in the efficiency of these services, or the ineffective management of any transition at the management level, could significantly delay or prevent the realization of the development plan, which could adversely affect the activity, financial situation and operational results of the Issuer.

Flaws, errors, or vulnerabilities in the Issuer's products and services, failure of the products or services it provides to block a virus or to prevent a security incident, misuse of the Issuer's products and services it offers or product and service liability claims may harm the Issuer's reputation and negatively impact operating results

Because the products and services that the Issuer sells and/or delivers are complex, they may contain design flaws or errors that are not detected until after they are released and implemented by end customers. End customers can report product and service defects related to performance, scalability, and compatibility. In addition, the flaws may make the products or services that the Issuer sells and/or delivers vulnerable to security attacks, may not contribute to the security of networks or may lead to the temporary interruption of end clients' network traffic. Because the techniques used by hackers to access or sabotage networks change frequently and are generally not recognized until launched against a target, the Issuer may not be able to anticipate these techniques and provide a real-time solution to protect end-client networks.

In addition, as an established cybersecurity provider, the Issuer's solutions, networks, and products could be targeted by attacks designed to disrupt its business and damage its reputation. Also, defects or errors in product updates or services delivered could cause those services to fail. The Issuer's data centers and networks may experience technical failures and downtime, fail to distribute appropriate updates, or fail to meet the increased demands of a growing installed base of end clients.

Moreover, the Issuer's products and services must coexist with end clients' existing infrastructure, which often has different specifications, use multiple protocol standards, implement products from numerous vendors, and contain multiple generations of products that have been added over time. As a result, when problems occur in a network, it can be challenging to identify the sources of those problems.

The occurrence of any such problem in the products and services that the Issuer sells and/or delivers, whether real or perceived, could result in the following:

- redirecting significant financial and product development resources to efforts to analyze, correct or eliminate errors and defects or to address and eliminate vulnerabilities;
- loss of existing or potential end clients or partners;
- delayed or lost revenue;
- delay or failure to obtain market acceptance of delivered products and services;
- an increase in warranty claims compared to historical experience or an increased cost of warranty claims, either of which adversely affects gross margins; and
- litigation or investigations, each of which could be costly or reputational.

The provisions regarding the limitation of liability in the standard terms and conditions of sale may not fully or effectively protect the Issuer from claims resulting from governmental laws or ordinances, local regulations, or adverse judicial decisions in Romania or other countries.

If the Issuer does not accurately anticipate, prepare for and promptly respond to technological and market developments and successfully manage the market introduction and transition to new products and services to meet the changing needs of end clients in the field of cybersecurity, the competitive position and its prospects will be affected

The cybersecurity field has grown rapidly and is expected to evolve rapidly. Moreover, most of the Issuer's clients operate in markets characterized by continuously changing technologies and business plans, which require them to add numerous network access points and adapt their increasingly complex business networks, incorporating a variety of hardware, software, operating systems, and network protocols. For this reason, the Issuer must continuously adapt its products and/or services.

In addition, the Issuer must commit significant resources to develop new features and new ways of cloud, AI, and other security before knowing whether its investments will result in products and services that the market will accept. The success of new features depends on several factors, including properly defining the latest products, differentiating the new products, services, and features from those of the Issuer's competitors, and market acceptance of those products, services, and features. Moreover, the successful introduction and transition of new products depend on several factors, including the Issuer's ability to manage the risks associated with issues related to the acceleration of new product production, the availability of software applications for new products, the effective management of commitments purchasing and inventory, the availability of products in adequate quantities and costs to meet anticipated demand, and the risk that new products may have quality or other defects or deficiencies, particularly in the early stages of introduction.

The Issuer's current research and development efforts may not produce successful products or services that result in significant revenue, cost savings, or other benefits in the foreseeable future

The development of products and services related to the Issuer's activity is an expensive process. The Issuer's investments in research and development may not result in significant improvements, marketable products or services, or may result in products or services that are more expensive than anticipated. In addition, the Issuer may not realize the expected cost savings or performance improvements it had anticipated (it may take more time to generate revenue). The Issuer's plans include significant investments in research and development. The Issuer believes that it must continue to devote a substantial number of resources to its research and development efforts in order to maintain its competitive position. However, the Issuer may not experience significant revenue from these investments in the near future, or these investments may not yield the expected benefits, which could adversely affect its business and operating results.

LEGAL, REGULATORY, AND LITIGATION RISKS

Changes in tax laws or interpretations, as well as unfavorable decisions by tax authorities, may have a material adverse effect on the Issuer's results of operations and cash flows

Tax laws and regulations in Romania may be subject to change, and there may be changes in the interpretation and application of tax legislation. These changes in tax legislation and/or the interpretation and application of tax law may be rapidly adopted/applied by the authorities, challenging to anticipate. Therefore, the Issuer may not be prepared for these changes. As a result, it is possible that the Issuer may face increases in due taxes in the event of changes in tax rates or if tax laws or regulations are amended by the relevant authorities in a manner that disadvantages the Issuer, which may have a material adverse effect on the cash flows, business, prospects, results of operations and financial condition for any affected reporting period.

Risk associated with litigation

In the context of the performance of its activity, the Issuer is subject to a risk of litigation, among others, due to changes and developments in legislation. The Issuer may be affected by other contractual claims, complaints, and litigation, including from third parties with whom it has contractual relationships, clients, competitors, or regulatory authorities, as well as any adverse publicity that such an event attracts.

At the time of drawing up this report, the Issuer SAFETECH INNOVATIONS SA was not involved in any litigation in an active or passive procedural capacity.

RISKS RELATED TO INVESTMENTS IN ROMANIA

Political and military instability in the region may have negative consequences on the Issuer's business

The political and military instability in the region, determined by the invasion of Ukraine by the Russian Federation in February 2022, preceded by the loss of control over the Crimean Peninsula in favor of the Russian Federation and the conflict in Eastern Ukraine with pro-Russian separatists in 2014, as well as the international sanctions imposed on the Federation Russians as a result of these events, may cause deeply unfavorable economic conditions, social unrest or, in the worst case, extensive military confrontations in the region. The effects are largely unpredictable and may include a decline in investment, significant currency fluctuations, increases in interest rates, reduced availability of credit, trade, and capital flows, increases in energy prices, etc.

Also, the recent conflict in the Middle East, especially Israel, recognized as an international center for IT services and products, may further fuel global economic and trade uncertainties.

These effects, as well as other unforeseen adverse effects of crises in the region, may have significant negative consequences on the activity, prospects, results of operations, and financial position of the Issuer.

The upward trend of the inflation rate may produce significant negative consequences on the Issuer's financial performance

The unpredictability of the inflation rate can have adverse effects on the Issuer's activity by increasing the difficulty of the Issuer's estimation of the total costs related to the activities carried out by it and the creation of a potential mismatch between the prices charged by the Issuer concerning its clients and the Issuer's costs, with a significant adverse effect. An essential difference between the expected inflation rate in a certain period and the value actually recorded in that period can significantly negatively influence the way the Issuer's resources are allocated, thus influencing its activity, financial availability, prospects, and profitability.

Moreover, an unpredictable increase in the inflation rate can bring imbalances at the macroeconomic level, characterized by the increase in interest rates, the decrease in the standard of living, and, in general, the slowdown of the development of the economy in Romania, imbalances that can contribute to the decline in demand in the cybersecurity field.

A potential deterioration of the general economic, political, and social conditions in Romania may have adverse effects on the Issuer's activity

The Issuer's success is closely linked to the general economic developments in Romania. The adverse outcomes or the general weakening of the Romanian economy, the decrease in the standard of living, the limited liquidity resources of potential clients, and the increase in the unemployment level could have a direct negative impact on the demand in the cybersecurity market in Romania.

Romania has undergone far-reaching political, economic, and social changes in recent years. As expected, emerging markets do not possess the complete business infrastructure and legal and regulatory framework that generally exists in more mature free market economies. Also, Romania's tax legislation is subject to multiple, diverse interpretations and may undergo changes frequently and sometimes suddenly or too quickly implemented.

The future direction of Romania's economy remains largely dependent on the effectiveness of the economic, financial, and monetary measures adopted at the governmental level and on developments in the fiscal, legal, regulatory, and political fields. The unfavorable economic conditions in Romania, fiscal uncertainty, and increased taxation could ultimately have a direct and/or indirect negative impact on the prices charged for the Issuer's products and services.

Romania's difficulties related to its integration into the European Union may have a significant adverse effect on the Issuer's activity

Romania entered the European Union in January 2007 and continues to go through processes of legislative changes as a result of EU accession and continued EU integration. As part of the accession process, the EU established a series of measures that Romania must comply with to fulfill the basic requirements for EU accession. The European Commission received the task of monitoring the progress made by Romania by issuing annual compliance reports through the Cooperation and Verification Mechanism. In November 2022, the European Commission recommended the lifting of the MCV.

Suppose Romania does not comply with the measures to fulfill the basic requirements for EU accession or does not implement the recommendations issued by the European Commission within the Cooperation and Verification Mechanism. In that case, it may be subject to EU sanctions that may have a material adverse effect on the country's financial operations, investments, and capital flows and, therefore, on the business, prospects, results of operations, and financial condition of the Issuer.

The national currency (LEI) can be subject to high volatility

The national currency is subject to a variable exchange rate regime, whereby its value against foreign currencies is established on the interbank exchange market. The monetary policy of the NBR targets inflation. The variable exchange rate regime is aligned with the use of inflation targets as the nominal anchor of the monetary policy and allows for a flexible policy response to unforeseen shocks that might affect the economy. The NBR does not consider a specific level or range for the exchange rate. The NBR's ability to limit the volatility of the national currency depends on several economic and political factors, including the availability of foreign currency reserves and the volume of new foreign direct investment.

Any changes in global investors' perceptions of the international or Romania's economic prospects may lead to the depreciation of the Romanian currency. A significant devaluation of it may adversely affect the economic and financial situation of the country, which could have a substantial adverse effect on the Issuer's business, operating results, and financial condition.

INDIVIDUAL PROFIT AND LOSS ACCOUNT

PROFIT AND LOSS ACCOUNT (RON)	2023	2022	Δ%
Turnover	**31,111,185**	**34,928,901**	**-11%**
Other operating income	1,620,906	351,374	361%
Income from the production of intangible assets	14,159,375	12,916,742	10%
Raw materials and consumables used	(7,143,792)	(12,175,951)	-41%
Merchandise	(9,959,197)	(5,814,793)	71%
Employee benefits expenses	(11,536,210)	(9,986,134)	16%
Depreciation and amortization	(2,415,067)	(3,175,335)	-24%
Marketing and advertising expenses	(234,022)	(179,361)	30%
Rental expenses	(5,871)	(3,735)	57%
Provisions	(121,322)	(70,672)	72%
Other expenses	(4,350,681)	(5,119,754)	-15%
Operating profit	**11,125,305**	**11,671,282**	**-5%**
Financial income	114,969	160,527	-28%
Financial expenses	(224,671)	(199,905)	12%
Gross profit	**11,015,603**	**11,631,904**	**-5%**
Income tax	(1,277,153)	(1,396,096)	-9%
Net profit	**9,738,449**	**10,235,808**	**-5%**

INDIVIDUAL BALANCE SHEET

BALANCE SHEET INDICATORS (RON)	31.12.2023	31.12.2022	Δ%
Non - current assets			
Property, plant and equipment	555,451	566,097	-2%
Right of use assets	1,253,788	1,170,795	7%
Intangible assets	40,612,935	26,918,142	51%
Investments in related companies	3,912,041	3,912,041	0%
Other non - current assets	271,733	584,146	-53%
Deferred tax assets	62,792	41,802	50%
Total non-current assets	**46,668,740**	**33,193,023**	**41%**
Current assets			
Inventories	400,699	94,563	324%
Trade and other receivables	7,179,130	16,013,270	-55%
Cash and cash equivalents	3,485,989	3,545,474	-2%
Total current assets	**11,065,818**	**19,653,307**	**-44%**
Total assets	**57,734,558**	**52,846,330**	**9%**
Equity and liabilities			
Subscribed and paid-up capital	13,300,000	13,300,000	0%
Treasury shares	-	(1,153,990)	-100%
Share premium	2,865,991	2,865,991	0%
Legal and other reserves	1,670,746	1,120,066	49%
Retained Earnings / (Losses)	17,105,564	11,036,186	55%
Other equity	-	147,747	-100%
Total equity	**34,942,401**	**27,316,000**	**28%**
Non-current liabilities			
Investment subsidies	13,350,207	13,088,294	2%
Liabilities related to leasing contracts	1,082,451	1,100,335	-2%
Total non-current liabilities	**14,432,658**	**14,188,629**	**2%**
Current liabilities			
Trade and other payables	6,145,283	8,727,904	-30%
Corporate tax liabilities	324,866	514,600	-37%
Liabilities related to leasing contracts	307,068	280,835	9%
Other current liabilities	1,362,081	1,719,484	-21%
Provisions	220,200	98,878	123%
Total current liabilities	**8,359,498**	**11,341,701**	**-26%**
Total liabilities	**22,792,156**	**25,530,330**	**-11%**
Total equity and liabilities	**57,734,557**	**52,846,330**	**9%**

INDIVIDUAL CASH-FLOW

	December 31, 2023	December 31, 2022
Cash flows from operating activities		
Profit before tax	**11,015,603**	**11,631,904**
Depreciation and amortisation	2,207,475	3,026,305
Depreciation related to RUA	207,592	149,030
Employees benefits	(147,747)	147,747
(Gain) / loss from impairment of receivables	(74)	-
Movements in provisions	121,322	70,672
(Gain) / loss on sale of property, plant and equipment	(338,402)	-
(Gain) / loss on write off receivables and payables	-	59,901
Interest revenues	(39,440)	(48,330)
Interest expenses	103,982	112,601
Operating profit before working capital changes	**13,130,311**	**15,149,831**
Change in inventories	(306,136)	(6,588)
Change in trade and other receivable	8,834,140	(8,589,687)
Change in trade and other payable	(2,725,056)	4,321,489
Change in deferred income tax	(20,990)	(9,265)
Cash generated from/ (used in) operations	**18,912,269**	**10,865,779**
Interest paid	(103,982)	(112,601)
Income tax paid	(1,487,877)	(1,222,191)
Net cash from/ (used in) operating activities	**17,320,410**	**9,530,987**
Cash flows from investing activities		
Proceeds from sale of non-current assets	312,413	(254,630)
Purchases of intangibles	(14,686,658)	(13,350,978)
Purchase of property, plant and equipment	(896,098)	(420,684)
Interest received	39,440	48,330
Interest paid		
Payments for Investments in Affiliated Entities	-	(3,912,041)
Net cash used in investing activities	**(15,230,903)**	**(17,890,002)**
Cash flows from financing activities		
Increase in share capital	-	7,371,769
Increase in share premium	-	490,991
Treasury shares	-	(1,153,990)
Movements in loans and borrowings	-	(995,248)
Paid dividends	(1,979,875)	(4,154,837)
Subsidies	261,913	4,487,114
Payments of lease liabilties	(431,030)	(356,062)
Net cash from/ (used in) in financing activities	**(2,148,992)**	**5,689,736**
Net increase in cash and cash equivalents	(59,485)	(2,669,280)
Cash and cash equivalents at 1 January	**3,545,474**	**6,214,754**
Cash and cash equivalents at 31 December	**3,485,989**	**3,545,474**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

PROFIT AND LOSS ACCOUNT (RON)	2023	2022	Δ%
Income from the sale of goods	21,335,932	20,067,166	6%
Provision of services	9,763,856	11,692,678	-16%
Other incomes	27,127	3,675	638%
Turnover	**31,126,916**	**31,763,519**	**-2%**
Other operating income	1,629,436	351,374	364%
Income from the production of intangible assets	14,159,375	12,916,742	10%
Raw materials and consumables used	(7,143,792)	(12,175,951)	-41%
Merchandise	(9,959,197)	(5,814,793)	71%
Employee benefits expenses	(15,569,939)	(10,797,996)	44%
Depreciation and amortization	(2,424,900)	(3,176,371)	-24%
Rental expenses	(242,788)	(7,178)	3282%
Marketing and advertising expenses	(451,523)	(179,361)	152%
Provisions	(121,322)	(70,672)	72%
Other expenses	(5,699,790)	(5,298,754)	8%
Operating profit	**5,302,476**	**7,510,559**	**-29%**
Financial income	170,105	160,527	6%
Financial expenses	(364,853)	(245,834)	48%
Gross profit	**5,107,728**	**7,425,252**	**-31%**
Income tax	(1,277,153)	(1,396,096)	-9%
Net profit	**3,830,575**	**6,029,156**	**-36%**

CONSOLIDATED BALANCE SHEET

BALANCE SHEET INDICATORS (RON)	31.12.2023	31.12.2022	Δ%
Non - current assets			
Property, plant and equipment	647,803	604,927	7%
Right of use assets	1,253,788	1,170,795	7%
Intangible assets	40,639,667	26,931,201	51%
Other non - current assets	271,733	584,146	-53%
Deferred tax assets	62,792	41,802	50%
Total non-current assets	**42,875,783**	**29,332,870**	**46%**
Current assets			
Inventories	400,699	94,563	324%
Trade and other receivables	7,230,151	12,987,088	-44%
Other current financial assets	150,129	-	100%!
Cash and cash equivalents	4,492,337	6,384,367	-30%
Total current assets	**12,273,316**	**19,466,018**	**-37%**
Total assets	**55,149,100**	**48,798,888**	**13%**
Equity and liabilities			
Subscribed and paid-up capital	13,300,000	13,300,000	0%
Treasury shares	-	(1,153,990)	100%
Share premium	2,865,991	2,865,991	0%
Legal and other reserves	1,670,846	1,120,066	49%
Retained Earnings / (Losses)	9,768,321	7,242,800	35%
Other equity	-	147,747	-100%
Translation differences	(139,921)	(147,581)	-5%
Non-controlling interests	(2,714,770)	(399,058)	580%
Total equity	**24,750,467**	**22,975,975**	**8%**
Non-current liabilities			
Other liabilities	-	144,830	-100%
Investment subsidies	13,350,207	13,088,294	2%
Liabilities related to leasing contracts	1,082,451	1,100,335	-2%
Total non-current liabilities	**14,432,657**	**14,333,459**	**1%**
Current liabilities			
Trade and other payables	6,183,930	8,875,657	-30%
Corporate tax liabilities	324,866	514,600	-37%
Short-term loans	7,302,928	-	100%
Liabilities related to leasing contracts	307,068	280,835	9%
Other current liabilities	1,626,983	1,719,484	-5%
Provisions	220,200	98,878	123%
Total current liabilities	**15,965,975**	**11,489,454**	**39%**
Total liabilities	**30,398,633**	**25,822,913**	**18%**
Total equity and liabilities	**55,149,100**	**48,798,888**	**13%**

CONSOLIDATED CASH-FLOW

	December 31, 2023	December 31, 2022
Cash flows from operating activities		
Profit before tax	**5,107,728**	**7,425,252**
Depreciation and amortisation	2,217,308	3,027,340
Depreciation related to RUA	207,592	149,030
Employees benefits	(147,747)	147,747
Movement in the depreciation of trade receivables	(74)	
Movements in provisions	121,322	70,672
(Gain) / loss on sale of property, plant and equipment	(338,402)	
(Gain) / loss on write off receivables and payables		59,901
Translation difference	68,435	-
Interest revenues	(39,440)	(48,330)
Interest expenses	103,982	112,601
Operating profit before working capital changes	**7,300,703**	**10,944,214**
Change in inventories	(306,136)	(6,588)
Change in trade and other receivable	5,648,269	(5,563,505)
Change in trade and other payable	(2,763,020)	4,480,658
Change in deferred income tax	(20,990)	(9,265)
Cash generated from/ (used in) operations	**9,858,827**	**9,845,514**
Interest paid	(103,982)	(112,601)
Income tax paid	(1,487,877)	(1,222,191)
Net cash from/ (used in) operating activities	**8,266,968**	**8,510,722**
Proceeds from sale of non-current assets	312,413	(254,630)
Purchases of intangibles	(14,705,242)	(13,364,037)
Purchase of property, plant and equipment	(959,545)	(460,508)
Interest received	39,440	48,330
Net cash used in investing activities	**(15,312,934)**	**(14,030,845)**
Increase in share capital	-	7,371,769
Increase in share premium	-	490,991
Treasury shares	-	(1,153,990)
Increase in subsidies	261,913	4,487,114
Movements in loans and borrowings	7,302,928	(995,248)
Paid dividends	(1,979,875)	(4,154,837)
Payments of lease liabilities	(431,030)	(356,062)
Net cash from/ (used in) in financing activities	**5,153,936**	**5,689,736**
Net increase in cash and cash equivalents	(1,892,030)	169,613
Cash and cash equivalents at 1 January	**6,384,367**	**6,214,754**
Cash and cash equivalents at 31 December	**4,492,337**	**6,384,367**

BVB CORPORATE GOVERNANCE CODE COMPLIANCE STATEMENT

PROVISION OF THE BUCHAREST STOCK EXCHANGE CORPORATE GOVERNANCE CODE[1]	COMPLIANT	PARTIALLY COMPLIANT	NON-COMPLIANT	COMMENT
Section A - Responsibilities				
A.1. All companies shall have Internal Rules for the Board of Directors (the "Board"), which shall include the terms of reference/responsibilities of the Board and the key management functions of the Company, and which shall apply, inter alia, the General Principles of this Section.	X			The company adopted a Regulation of the Board of Directors.
A.2. Provisions for the management of conflicts of interest shall be included in the Rules of the Board. In any event, Board members shall notify the Board of any conflicts of interest that have arisen or may arise and shall refrain from taking part in the discussions (including by non-attendance, unless the failure to attend prevents the establishment of the quorum) and from voting for passing a resolution on the issue giving rise to the relevant conflict of interest.	X			The Board members have, under the law, duties of care and loyalty to the Company, stipulated not only in the Articles of Association of the Company, but also in other internal regulations of the Company. Provisions for the management of conflicts of interest are included in the Regulation of the Board of Directors of Safetech Innovations.
A.3. The Board shall consist of at least 5 (five) members.			X	The Board of Directors consists of 3 (three) members elected by the Ordinary General Meeting of Shareholders (OGMS), in accordance with the provisions of the

[1] The Statement summarizes the principles of the Corporate Governance Code; the full version of the Code may be read on the website of the Bucharest Stock Exchange: www.bvb.ro.

				Companies Law and the Company's Articles of Association.
A.4. Most Board members shall not have an executive function. In the case of companies in the Premium Category, no less than two non-executive members of the Board shall be independent. Each independent Board member shall issue a statement at the time of nomination thereof for election or re-election, and whenever any change arises in the status thereof, indicating the elements on the basis of which the same is to be deemed independent in terms of character and judgment.	X			Two out of three members of the Board are non-executive and independent. On the occasion of each appointment of a member of the Board of Directors, the Company carries out an assessment of the independence of its members based on the independence criteria established in the Corporate Governance Code (which are essentially similar to those provided for in the Companies Law), consisting of an assessment individual assessment by the relevant Board member, followed by an external assessment.
A.5. Any other relatively permanent professional commitments and obligations of a member of the Board, including executive and non-executive positions in the Board of companies and non-profit institutions, shall be disclosed to the shareholders and prospective investors prior to nomination and during the term of office thereof.	X			Information on the permanent professional commitments and obligations of the Board members, including executive and non-executive positions within companies and non-profit institutions, can be found in the CVs of the Board members, available at the Company headquarters and published of the Company's website.
A.6. Any member of the Board shall present the Board with information on any relation with a shareholder holding, either directly or indirectly, shares representing more than 5% of all voting rights.	X			The information is included in the annual reports issued by the Company.
A.7. The Company shall appoint a Secretary of the Board to be in charge of supporting the activity of the Board.	X			The Company has a General Secretary who supports the Board activities.
A.8. The Corporate Governance Statement shall stipulate whether a Board assessment has taken place under the direction of either the Chairperson or the Nomination Committee and, if so, shall summarize the key measures and the			X	In 2023, the Company had no policy and no guidance regarding Board evaluation. There was no formal Council self-assessment for 2023.

resulting changes. The Company shall have a policy/guide regarding Board assessment, including the purpose, criteria and frequency of the assessment process.				
A.9. The Corporate Governance Statement shall contain information on the number of Board and Committee meetings over the past year, the participation of the directors (in person and in default) and a Report by the Board and Committees on their activities.	**X**			The Board of Directors of Safetech Innovations shall meet whenever necessary, but at least once every three months. During 2023 there were 9 meetings of the Board of Directors (9 meetings with full attendance).
A.10. The Corporate Governance Statement shall include information on the exact number of independent members of the Board.	**X**			In 2023, two (2) members of the Board met all the independence criteria provided by the Safetech Innovations S.A. Corporate Governance Code.
Section B – The risk management and internal control system				
B.1. The Board shall set up an Audit Committee, in which at least one member shall be independent and non-executive. Most members, including the Chair, shall have proven appropriate qualification relevant to the functions and responsibilities of the Committee. At least one member of the Audit Committee shall have proven adequate experience in auditing or accounting. In the case of companies in the Premium Category, the Audit Committee shall consist of at least three members and most members of the Audit Committee shall be independent.	**X**			Safetech Innovations established the Risk and Audit Committee, starting with the listing on the Main Segment of the Bucharest Stock Exchange, respectively February 6, 2023. The committee consists of two non-executive and independent members. The members of the Risk and Audit Committee have proven appropriate qualifications, according to the internal rules established by the Company.
B.2. The Chair of the Audit Committee shall be an independent non-executive member.	**X**			The Chair of the Risk & Audit Committee is an independent non-executive member.
B.3. As part of its responsibilities, the Audit Committee shall carry out an annual assessment of the internal control system.	**X**			The Risk and Audit Committee conducts an annual evaluation of the Company's internal control system.

B.4. The assessment shall take into account the effectiveness and scope of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Board Audit Committee, the promptness and effectiveness with which the executive management addresses any deficiencies or weaknesses identified as a result of the internal control and the submission of relevant reports to the Board.	X			In the annual assessment, the Risk and Audit Committee assesses the effectiveness of this system, the adequacy of the risk management and internal control reports submitted to the Risk and Audit Committee, as well as the promptness and the effectiveness of management in addressing the deficiencies or weaknesses found in terms of internal control.
B.5. The Audit Committee shall assess any conflicts of interest in connection with the transactions of the Company and its subsidiaries with related parties.	X			The Risk and Audit Committee evaluates the effectiveness of the Group's risk management system, monitor the application of the statutory and generally accepted internal audit standards and will evaluate the situations of conflicts of interest within the transactions concluded by the Group and / or any of its subsidiaries with affiliated parties.
B6. The Audit Committee shall assess the effectiveness of the internal control and risk management systems.	X			
B.7 The Audit Committee shall monitor the application of the legal standards and generally accepted internal audit standards. The Audit Committee shall receive and assess the reports of the internal audit team.	X			
B.8. Whenever the Code mentions reports or analyses initiated by the Audit Committee, these shall be followed by regular reports (at least annual reports) or ad hoc reports to be subsequently submitted to the Board.	X			The Risk and Audit Committee regularly presents the Board with reports on the specific issues that have been assigned to it.
B.9. No shareholder may be granted preferential treatment over other shareholders in connection with transactions and agreements entered into by the Company with the shareholders and affiliates thereof.	X			The Company grants equal treatment to all its shareholders. Related party transactions are treated objectively, in accordance with the usual industry standards, and the applicable laws and corporate regulations.

B.10. The Board shall adopt a policy to ensure that any transaction of the Company with any of the companies with which it has close ties, whose value is equal to or greater than 5% of the Company net assets (according to the latest financial report), is approved by the Board following a binding opinion of the Board Audit Committee and is properly disclosed to the shareholders and prospective investors to the extent that such transactions fall within the category of events subject to reporting requirements.			X	The Board of Directors will adopt a policy in this regard.
B.11. Internal audits shall be performed by a structurally separate division (the Internal Audit Department) within the Company or by hiring an independent third party.	X			Starting from November 2022, the Company has the function of Internal Audit within its structure.
B.12. In order to ensure the fulfilment of the primary functions of the Internal Audit Department functionally speaking, it shall report to the Board by means of the Audit Committee. For administrative purposes and as part of the responsibilities of the management to monitor and reduce risks, it shall report directly to the Chief Executive Officer.	X			The Internal Audit reports to the Risk and Audit Committee.
Section C – Fair reward and motivation				
C.1. The Company shall publish the Remuneration Policy on its website and shall include a statement on the implementation of the Remuneration Policy in the Annual Report during the annual period under review. Any key change in the Remuneration Policy shall be published on the Company website in a	X			The Remuneration Policy of the Company is published on the Company's website and the Remuneration Report for 2022 is part of the Annual GSM documentation, subject to shareholder's approval.

timely manner.				
Section D – Adding value by way of the investor relations				
D.1. The Company shall organize an Investor Relations Service - indicating to the general public the officer(s) in charge or the relevant organizational unit. In addition to the information required by law, the Company shall include on its website a section dedicated to Investor Relations, in both Romanian and English, with all the relevant information of interest to investors, including: • The main corporate regulations: Articles of Association, the procedures regarding the General Shareholders' Meetings (GSM); • The professional CVs for the members of the Company management bodies, other professional commitments of the Board members, including executive and non-executive positions in the Boards of Directors of companies or non-profit institutions; • Current and regular reports (quarterly, half-yearly and annual); • Information on the General Shareholders' Meetings; • Information on the corporate events; • The name and contact details of a person who can provide relevant information, on request; • Company presentations (e.g.,	X			All the information as specified by the D1 provision is provided on the Company's website.

investor presentations, quarterly result presentations, etc.), financial statements (quarterly, half-yearly, annual), Audit Reports, and Annual Reports.				
D.2. The Company shall have a policy on the annual distribution of dividends or other benefits to the shareholders. The principles of the policy of annual distribution to the shareholders shall be published on the Company website.	X			The Company's dividend policy is available on the Company's website in the Investor Relations section..
D.3. The Company shall adopt a policy regarding forecasts, whether they are made public or not. Forecasts mean quantified conclusions of various studies aimed at determining the overall impact of a number of factors for a future period (the so-called assumptions): by its nature, a forecast has a high level of uncertainty, and the actual results can vary significantly from the original forecasts. The Forecast Policy shall determine the frequency, period considered and content of the forecasts. If published, the forecasts may only be included in the annual, half- yearly or quarterly reports. The Forecast Policy shall be published on the Company website.	X			The forecasting policy is available on the Company's website in the Investor Relations section
D.4. The rules of the General Shareholders' Meetings shall not limit the participation of shareholders in the general meetings or the exercise of their rights. Any amendments to these rules take effect, at the earliest, starting with the next Shareholders' Meeting.	X			Information on the organization of the General Shareholders' Meetings is mentioned in the Company's Articles of Incorporation, as well as the Corporate Governance Code, and are in line with provision D.4.

D.5. Independent financial auditors shall be present at the General Shareholders' Meeting when their reports are presented at these meetings.	X			The independent financial auditors participate in the Ordinary General Shareholders' Meetings where the individual and consolidated annual financial statements are subject to approval.
D.6. The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.		X		The information about the internal controls and significant risk management system is provided in the Annual Report. Shall the question related to the internal control and significant risk management system be asked during the annual meeting, the question will be addressed by the Board.
D.7. Any specialist, consultant, expert, or financial analyst may take part in Shareholders' Meetings based on a prior invitation from the Chairperson of the Board. Accredited journalists may also attend General Shareholders' Meetings, unless otherwise decided by the Chairperson of the Board.	X			There is a possibility for any specialist, consultant, expert, financial analyst, or accredited journalist to participate in the GSM based on a prior invitation from the Chairman of the Board.
D.8. The quarterly and half-yearly financial reports shall include information in both Romanian and English on the key factors that influence change in terms of sales levels, operating profit, net profit, and other relevant financial indicators, from one quarter to the next, and from one year to the next.	X			The quarterly and half-yearly financial reports include information in both Romanian and English on the key factors that cause changes in terms of sales levels, operating profit, net profit, and other relevant financial indicators, from one quarter to the next, and from one year to the next.
D.9. A Company shall hold at least two meetings/teleconferences with analysts and investors each year. The information presented on these occasions shall be published in the Investor Relations section of the Company website at the time of the meetings/teleconferences.	X			Starting with 2024, Safetech Innovations holds four teleconferences in Romanian, related to each quarter. The recording of each of the conference calls is published on the BVB website, as well as on the Company's website.
D.10. If a Company supports various forms of artistic and cultural expression,	X			N/A

sporting, educational or scientific activities and deems their impact on the Company innovation and competitiveness to be part of its mission and development strategy, it will publish its policy on its activity in this field.				

DECLARATION OF THE MANAGEMENT

Bucharest, March 15th, 2024

I confirm, according to the best of my knowledge, that the financial statements for the period between 01.01.2023 and 31.12.2023 provide a fair and consistent picture of the assets, liabilities, financial position and profit and loss account of Safetech Innovations S.A. and that the Annual Report provides a fair and realistic picture of the important events that took place in 2023 and their impact on the company's financial statements.

Victor Gânsac

Chairman of the Board of Directors of Safetech Innovations S.A.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAFETECH INNOVATIONS S.A.

Report on the individual Financial Statements

Audit Opinion

[1] We have audited the individual financial statements of **SAFETECH INNOVATIONS S.A.** (the "Company") which comprise the individual statement of financial position as at 31 December 2023, and the individual statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

[2] In our opinion, the accompanying individual financial statements give a true and fair view of the financial position of **the Company** as of December 31, 2023 and of its individual financial performance and its individual cash flows for the year then ended in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by the European Union and with the accounting policies described in the notes to the financial statements.

Basis for Opinion

[3] We conducted our audit in accordance with International Standards on Auditing ("ISA"), EU Regulation No. 537 of the European Parliament and of the Council (hereinafter "Regulation") and Law No. 162/2017 ("Law"). Our responsibilities under these standards are described in detail in the section "Auditor's responsibilities in an audit of the individual financial statements" of our report. We are independent from the Company, in accordance with the Rules of the International Ethics Standards Board for Accountants (IESBA), in accordance with the ethical requirements that are relevant to the audit of financial statements in Romania, including the Rules and the Law, and have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

[4] Key audit matters are those issues that, according to our professional reasoning, had the greatest significance in the individual financial statements audit for the current year. These issues were addressed in the context of our audit of the individual financial statements considered as a whole and to form an opinion on them therefore we do not issue a separate opinion on these matters.

<table>
<tr><th>Key audit matters</th><th>How we addressed the matter</th></tr>
<tr><td>Capitalisation of development costs relating to internally generated software and impairment assessment of internally generated software
As presented in Note 10 "Intangible Assets", uring the current year, the Company capitalised development costs of RON 14.2 million relating to software, on the basis that these costs to be clearly associated with identifiable products which will be controlled by the Company and have a profitable benefit exceeding the cost beyond one year.
In capitalising these development costs, management considered that the criteria in IAS 38, Intangible Assets (IAS 38) is met and development expenditure that does not meet the above criteria are recognised as an expense in individual profit or loss account as these are incurred.
The Company's policy is to perform an annual impairment assessment based on the amount of revenue generated by the respective completed software item, either direct or indirect, expecting that this revenue should not be 20% of capitalized costs (annual depreciation rate). Alternatively, second option is using a discounted cash flow forecast on all software, regardless of whether an indication of impairment exists. Key assumptions applied by management in the cash flow forecast included the following:
the estimated revenues to be earned from the use of the assets and the period over which those revenues are projected;
the discount rate; and
risk adjustment factors used in deriving an appropriate discount rate applied to future estimated cash flows.
We considered the capitalisation of development costs relating to software and the impairment assessment of the software to be a matter of most significance to the current year audit due to the following:
Significant judgment that was applied by management in assessing whether direct development costs such as employee expenses and contractor costs of the system development team met the recognition</td><td>We performed the following audit procedures over the capitalisation of development costs relating to software:
Through discussion with management, we obtained an understanding of the methodology applied by management in the capitalisation of development costs related to software;
We assessed the development costs capitalised during the year, as well as the Company's accounting policy for capitalisation of development costs relating to software, against the requirements of IAS 38. We noted no exceptions;
By considering the nature of each activity performed by a software developer against the requirements for recognition as 'development' in terms of IAS 38, we assessed the appropriateness of management's rationale for the activities considered to be 'development'. We did not note any aspect requiring further consideration;
On a sample basis, we performed an independent verification of the professional qualifications of employees whose time had been capitalised during the year as development costs in terms of IAS 38, to assess whether those employees had the appropriate professional skills and competencies to develop software. We did not note any aspect requiring further consideration;
Through enquiry of management, we obtained an understanding of management's governance processes relating to the recording of time-based expenditure for capitalised development costs; and
For a sample of employees, we tested the accuracy of the value of employee costs used in the capitalisation rate per hour with reference to their respective signed employment contracts and increase letters. We did not note any aspect requiring further consideration.
We performed the following audit procedures over management's impairment assessment:
We have obtained a breakdown of revenues generated either direct or indirect by the completed software items and compared them with the 20% annual depreciation ratio; in all cases, cash generated exceed this ratio;</td></tr>
</table>

criteria in IAS 38 for capitalisation as an asset; and • The magnitude of capitalised development costs during the current year.	• We held discussions with management and obtained an understanding of management's budgeting process, including the process of approval by the directors in determining the future cash flows; • We compared the projected cash flows, including the assumptions relating to revenue growth rates, against historical actual growth rates and actual performance, to assess the reasonability of management's budgeting process and projections. We noted no matters requiring further consideration; • We agreed the inputs used in the projected cash flows of revenues to be earned from the use of the software, to the latest budgets approved by the directors; • We assessed the reasonability of the cashflow forecast, taking into account renewable revenue contracts and management's estimation of the timeframe for the renewal of such contracts. We did not note any aspect requiring further consideration; • Based on our assessment, we accepted management's conclusion that no impairment adjustments to internally generated software were necessary

Other information - Administrator's Report

[5] The administrator is responsible for preparation and presentation of the other information. The other information comprises the Administrator's report and the Remuneration Report but does not include the separated financial statements and our auditor's report thereon.
Our opinion on the individual financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual financial statements for the year ended December 31, 2023, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the individual financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrator's report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20.

On the sole basis of the procedures performed within the audit of the separated financial statements, in our opinion:

a) the information included in the administrators' report for the financial year for which the separated financial statements have been prepared is consistent, in all material respects, with these separated financial statements;
b) the administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for

the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU;

c) Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the separated financial statements prepared as at December 31, 2023, we are required to report if we have identified a material misstatement of this Administrator's report and Remuneration Report. We have nothing to report in this respect.

Management's responsibility for individual financial statements

[6] The Company's management is responsible for the preparation of these individual financial statements in order to present fairly, in all material respects, the financial position of the Company in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

[7] In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for disclosing, where appropriate, going concern matters and for using going concern basis of accounting, unless management either intends to liquidate the Company or cease operations or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities in an audit of individual financial statements

[8] Our objectives are to obtain reasonable assurance about whether the Individual financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement, if one exists. Misstatements may be caused either by fraud or error and are considered material if they could reasonably be expected to affect, Separately or in aggregate, the economic decisions of users made on the basis of these individual financial statements.

[9] As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of Individual financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain sufficient appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting a material misstatement due to error because fraud may involve secret understandings, misrepresentation, intentional omissions, misstatements and circumvention of internal control.

- We understand internal control to be relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of going concern accounting and determine, based on audit evidence obtained, whether there is a material uncertainty about events or conditions that may cast significant doubt about the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if those disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to operate on a going concern basis.
- We assess the overall presentation, structure and content of the individual financial statements, including disclosures, and the extent to which the individual financial statements reflect the underlying transactions and events in a manner that provides a fair presentation.

[10] We communicate to those charged with governance, among other matters, the planned scope and timing of the audit, as well as key audit findings, including any significant deficiencies in internal control that we identify during the audit.

We report as well to those in charge with governance a statement regarding our compliance with the ethical requirements regarding independence and we communicate all the relations and other matters that can be reasonably assessed as potentially impair our independence and we take, if needed related precautionary measures.

Report on other legal and regulatory requirements

[11] We were appointed as auditors of SAFETECH INNOVATIONS SA in the general Annual shareholder meeting held on 18 April 2022. The total uninterrupted period in which we were appointed as auditors is two years, including for the years ended 31 December 2022 and 31 December 2023.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Company's Audit Committee, which we issued on the same date as this report. Also, in conducting our audit, we maintained our independence from the audited entity.
- Prohibited non-audit services, referred to in Article 5 paragraph (1) of EU Regulation no. 537/2014.

[12] The engagement partner for whom this independent auditor's report was prepared is Ruxandra Bilius.

Report on compliance with Delegated Regulation (EU) 2018/815 of the Commission ("Regulatory Technical Standard on the Single European Electronic Reporting Format" or "ESEF")

[13] We performed a reasonable assurance mission on the compliance of the consolidated financial statements prepared by the entity SAFETECH INNVATIONS SA. included in the annual financial report presented in the digital file 984500ED4GA7884C439 ("the digital files"), with Delegated Regulation (EU) 2018/815 of the Commission.

The engagement partner for whom this independent auditor's report was prepared is Ruxandra Bilius.

Responsibility of the management of SAFETECH INNVATIONS SA for digital files prepared in accordance with ESEF

[14] The management of the Group is responsible for the preparation of digital files in accordance with the ESEF. This responsibility includes:
- designing, implementing and maintaining relevant internal control for ESEF application;
- ensuring the consistency between the digital files and the consolidated financial statements that will be published in accordance with Order 2844/2016 as amended.

Those responsible for governance are responsible for overseeing the preparation of digital files in accordance with the ESEF

Auditor's responsibility regarding the audit of Digital Files

We have the responsibility to express a conclusion on the extent to which the consolidated financial statements included in the annual financial report are in accordance with ESEF, in all material respects, based on the evidence obtained. Our reasonable assurance engagement was performed in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

Our company is applying the International Standard for Quality Management ("ISQM1") and, consequently, maintains an adequate system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal requirements.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the ESEF. The nature, timing and extent of the procedures selected depend on the auditor's judgment, including the assessment of the risk of material deviations from the provisions set out in the ESEF, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of the process of preparing digital files in accordance with ESEF, including relevant internal controls;
- the reconciliation of the digital files that include the marked data, with the audited consolidated financial statements of the Group that will be published in accordance with Order 2844/2016 with subsequent amendments;
- evaluating whether all the financial statements that are included in the annual financial report are drawn up in a valid XHTML format.

We believe that the evidence obtained is sufficient and adequate to provide a basis for our conclusion.

Conclusion

In our opinion, the consolidated financial statements for the financial year ended 31 December 2023 included in the annual financial report, in the Digital Files are, in all material respects, in accordance with the ESEF Regulation.

In this section we are not expressing an audit opinion, a review conclusion or any other assurance conclusion on the consolidated financial statements. Our audit opinion on the Group's consolidated financial statements for the financial year ended 31 December 2023 is included in the *Report on annual individual financial statements* section above.

Auditor:

RUXANDRA BILIUS Ruxandra Bilius
Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. AF1996

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Auditor Financiar: BILIUS RUXANDRA IULIANA
Registrul Public Electronic: AF 1996

In numele Baker Tilly Klitou
BAKER TILLY KLITOU AND PARTNERS S.R.L.
Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. FA384

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Auditor financiar: BAKER TILLY KLITOU AND PARTNERS S.R.L.
Registrul Public Electronic: FA 384

Bucharest, 18 March 2024

SAFETECH INNOVATIONS S.A.

Financial statements for year ended
31 December 2023

In accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of accounting regulations in accordance with International Financial Reporting Standards

Date: 12.03.2024

CONTENTS

STATEMENT OF COMPREHENSIVE INCOME

	Nota	2023 RON	2022 RON
Turnover	**5.1**	**31.111.185**	**34.928.901**
Other operating income	6.1	1.620.906	351.374
Income from the production of fixed assets	10	14.159.375.	12.916.742
Raw materials and consumables used	5.2	(7.143.792)	(12.175.951)
Merchandise	5.2	(9.959.197)	(5.814.793)
Employee benefits expenses	6.5	(11.536.210)	(9.986.134)
Depreciation, amortisation and Gw impairment	9	(2.415.067)	(3.175.335)
Marketing and advertising expenses		(234.022)	(179.361)
Rental expenses		(5.871)	(3.735)
Provisions		(121.322)	(70.672)
Other expenses	6.2	(4.350.681)	(5.119.754)
Operating profit		**11.125.305**	**11.671.282**
Financial Income	6.4	114.969	160.527
Financial Expenses	6.3	(224.671)	(199.905)
Profit/(Loss) before tax		**11.015.603**	**11.631.904**
Income Tax	7	(1.277.153)	(1.396.096)
Profit/(Loss) after tax		**9.738.449**	**10.235.808**
Other elements of the overall result		**-**	**-**
The number of shares		**66.500.000**	**66.500.000**
Basic and net diluted result per share		**0,146**	**0,154**

Approved by the Board of Directors on 12.03.2024

STATEMENT OF FINANCIAL POSITION

	Note	31 december 2023	31 december 2022
Non - current assets			
Property, plant and equipment	9	555.451	566.097
Right of use assets	9	1.253.788	1.170.795
Intangible assets	10	40.612.935	26.918.142
Investements in related companies	11	3.912.041	3.912.041
Other non - current assets		271.733	584.146
Deferred tax assets		62.792	41.802
Total non-current assets		**46.668.740**	**33.193.023**
Current assets			
Inventories	12	400.699	94.563
Trade and other receivables	13	7.179.130	16.013.270
Cash and cash equivalents	14	3.485.989	3.545.474
Total currect assets		**11.065.818**	**19.653.307**
Total assets		**57.734.558**	**52.846.330**
Equity and liabilities			
Issued share Capital		13.300.000	13.300.000
Subscribed and paid-in capital		-	-
Own actions		-	(1.153.990)
Share premium at nominal value		2.865.991	2.865.991
Legal and other reserves		1.670.746	1.120.066
Retained earnings / (Accumulated Losses)		17.105.564	11.036.186
Other components of equity		-	147.747
Total equity	14	**34.942.401**	**27.316.000**
Subsidies	10	13.350.207	13.088.294
Long term lease liabitlies		1.082.451	1.100.335
Total Non - Current Liabilities		**14.432.658**	**14.188.629**
Current liabilities			
Trade accounts payable	17	6.145.283	8.727.904
Income taxes payable		324.866	514.600
Current term lease liability		307.068	280.835
Other current liabilities	17	1.362.081	1.719.484
Short-term provisions		220.200	98.878
Total current liabilities		**8.359.498**	**11.341.701**
Total liabilities		**22.792.156**	**25.530.330**
Total equity and liabilities		**57.734.557**	**52.846.330**

STATEMENT OF CHANGES IN SHAREHOLDER`S EQUITY 2022

	Share capital	Share premium	Own Shares	Other elements of equity	Reserves	Retained earnings	Total
Balance as of Jan 1, 2022	**5.928.231**	**2.375.000**	**-**	**-**	**524.783**	**5.552.034**	**14.380.048**
Net profit for the year	-	-	-	-	-	10.235.808	10.235.808
Increase in share capital	7.371.769	-	-	-	-	-	7.371.769
Establishment of legal reserve (Note 14)	-	-	-	-	595.283	(595.283)	-
Increase in share premium	-	490.991	-	-	-	-	490.991
The increase from the purchase of own shares	-	-	(1.153.990)	147.747	-	-	(1.006.243)
Allocation to dividends	-	-	-	-	-	(4.156.373)	(4.156.373)
Depreciation reserve from revaluation	-	-	-	-	-	-	-
Deferred tax reserve revaluation	-	-	-	-	-	-	-
Balance as of Dec 31, 2022	**13.300.000**	**2.865.991**	**(1.153.990)**	**147.747**	**1.120.066**	**11.036.186**	**27.316.000**

STATEMENT OF CHANGES IN SHAREHOLDER`S EQUITY 2023

	Share capital	Share premium	Own Shares	Other elements of equity	Reserves	Retained earnings	Total
Balance as of Jan 1, 2023	**13.300.000**	**2.865.991**	**(1.153.990)**	**147.747**	**1.120.066**	**11.036.186**	**27.316.000**
Net profit for the year	-	-	-	-	-	9.707.562	9.707.562
Other elements of the overall result	-	-	-	(147.747)	-	-	(147.747)
Increase in share capital	-	-	-	-	-	-	-
Establishment of legal reserve	-	-	-	-	550.780	(550.780)	-
The increase from the purchase of own shares			-	-	-	-	-
Allocation to dividends			-	-	-	(1.981.989)	(1.981.989)
Shares granted	-	-	1.153.990	-		(1.136.302)	17.688
Depreciation reserve from revaluation	-	-	-	-	-	-	-
Deferred tax reserve revaluation	-	-	-	-	-	-	-
Balance as of Dec 31, 2023	**13.300.000**	**2.865.991**	**-**	**-**	**1.670.846**	**17.105.564**	**34.942.401**

STATEMENT OF CASH FLOW 2023

		31 decembrie 2023	31 decembrie 2022
Cash flows from operating activities			
Profit before tax		**11.015.603**	**11.631.904**
Depreciation and amortisation		2.207.475	3.026.305
Depreciation related to RUA		207.592	149.030
Benefits employes		(147.747)	147.747
(Gain) / loss from receivables impairment		(74)	-
Movements in provisions		121.322	70.672
(Gain) / loss on sale of property, plant and equipment		(338.402)	-
(Gain) / loss on write off receivables and payables		-	59.901
Interest revenues	6.4.	(39.440)	(48.330)
Interest expenses	6.3.	103.982	112.601
Operating profit before working capital changes		**13.130.311**	**15.149.831**
Change in inventories	12	(306.136)	(6.588)
Change in trade and other receivable	13	8.834.140	(8.589.687)
Change in trade and other payable	17	(2.725.056)	4.321.487
Change in deferred income tax	7	(20.990)	(9.265)
Cash generated from/ (used in) operations		**18.912.269**	**10.865.777**
Interest paid		(103.982)	(112,601)
Income tax paid		(1.487.877)	(1,222,191)
Net cash from/ (used in) operating activities		**17.320.410**	**9.530.987**
Cash flows from investing activities			
Proceeds from sale of non-current assets		312.413	(254.630)
Purchases of intangibles	10	(14.686.658)	(13.350.978)
Purchase of property, plant and equipment	9	(896.098)	(420.684)
Interest received		39.440	48.330
Interest paid			
Payments for investments in affiliated entities		-	(3.912.041)
Net cash used in investing activities		**(15.230.903)**	**(17.890.002)**
Cash flows from financing activities			
Increase in share capital		-	7.371.769
Increase in share premium		-	490.991
Redeemed shares		-	(1.153.990)
Movements in loans and borrowings		-	(995.248)
Dividende plătite	16	(1.979.875)	(4.154.837)
Subsidies		261.913	4.487.114
Payments of lease liabilties		(431.030)	(356.062)
Net cash from/ (used in) in financing activities		**(2.148.992)**	**5.689.736**
Net increase in cash and cash equivalents		(59.485)	(2.669.280)
Cash and cash equivalents at 1 January (including Advance for payment of dividends)		**3.545.474**	**6.214.754**
Cash and cash equivalents at 31 December (including Advance for payment of dividends)		**3.485.989**	**3.545.474**

1. GENERAL INFORMATION

The headquarters of Safetech Innovation S.A. is located in Funzei Street, no. 12-14, floor 1 - 2, District 2, Bucharest.
The main activity of the Company is the sale of cyber security solutions and services (main CAEN code 6203). Throughout its history, the company has specialized in the integration of complex cyber security projects.

The company was established as a limited liability company (SRL) in 2011. On September 25, 2020, the company was transformed into a joint-stock company (SA), with a share capital of 500,000 lei, divided into 2,500,000 shares with a nominal value of 0.2 lei, owned by two shareholders and co-founders, Victor Gânsac and Paul Rusu, each with 50% of the share capital.

On October 19, 2020, the company launched and closed the private placement for its shares on the first day. 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. Safetech Innovations (SAFE) shares were admitted to trading on the SMT segment of the Bucharest Stock Exchange on January 29, 2021.

On August 26, 2021, Safetech Innovations received the Cyber Security Auditor accreditation for operators of essential services, based on Law 362/2018 on ensuring a common high level of security of networks and IT systems from the National Center for Response to Incidents of Cyber Security (CERT-RO). CERT-RO is the national competent authority for network and information systems security. Consequently, Safetech Innovations S.A. was registered in the National Register of Cyber Security Auditors, IDASC: QC-2B1721, with a validity period between 26.08.2021 and 25.08.2024.

In January 2022, Safetech Innovations successfully completed a capital increase operation, attracting 10,665,990.70 lei.

In 2022, the company founded the entity Safetech Innovations Global Services Limited, in Great Britain with a 67% share of the share capital and SAFETECH CYBERSECURITY LIMITED CYBER RISK MANAGEMENT SERVICES L.L.C. in the United Arab Emirates, having a 49% stake in the share capital.

On February 6, 2023, Safetech Innovations shares, stock symbol SAFE, debuted on the Main Market of the Bucharest Stock Exchange, the LEI code being 984500ED4DGA7884C439.

On February 8, 2023, the Company published the Revenue and Expenditure Budget for the fiscal year 2023. The budget was drawn up by the Company's Board of Directors and was approved in the annual Ordinary General Meeting of Shareholders, which took place on the 24 April 2023.

In 2023, the company established the entity SAFETECH INNOVATIONS US, INC in the United States of America with a 67% share of the share capital.

	31 december 2023	31 december 2022
Number of employees	62	49

The composition of the Administrative Council at the end of the 2022 and 2023 exercise is:

The board of administration

Victor Gansac	Member
Alexandru Mihailciuc	Member
Mircea Varga	Member

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Declaration of conformity

The financial statements of the Company were drawn up in accordance with the provisions of the Order of the Minister of Finance no. 2844/2016 for the approval of accounting regulations in accordance with the International Financial Reporting Standards ("OMFP no. 2844/2016"). According to OMFP no. 2844/2016, the International Financial Reporting Standards are the standards adopted according to the procedures of the European Commission Regulation no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (IFRS).

These provisions are in accordance with the provisions of the International Financial Reporting Standards adopted by the European Union, with the exception of the provisions of IAS 21 The effects of the variation of exchange rates regarding the functional currency, the provisions of IAS 20 Accounting for government subsidies regarding the recognition of income from green certificates , with the exception of IFRS 15 - Revenues from contracts with customers regarding the revenues from connection fees to the distribution network and with the exception of the treatment of interim distribution of dividends.

For the purpose of drawing up these financial statements, in accordance with the legislative provisions in Romania, the functional currency of the Company is considered to be the Romanian Leu (RON).

Fair value is the price that could be received to sell an asset or paid to transfer a liability in the normal course of a transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a another evaluation technique. In estimating the fair value of an asset or liability, the Company considers the characteristics of the asset or liability in the market that participants would consider when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of of IFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of assets.

The main accounting policies adopted are presented below.

2.2 Continuation of business

The present financial statements were drawn up based on the principle of continuity of activity, which assumes that the Company will continue its activity in the foreseeable future. To assess the applicability of this assumption, management analyzes forecasts of future cash inflows.

On December 31, 2023, the Company's current assets exceed current liabilities by RON 2.706.319 (on December 31, 2022, current assets exceed current liabilities by RON 8.311.606). On the same date, the Company recorded a global result of 9.738.449 RON (2022: 10.235.808 RON).

The management considers that the Company will be able to continue its activity in the foreseeable future and, therefore, the application of the principle of continuity of activity in the preparation of the financial statements is justified.

2.3 Adoption for the first time of the International Financial Reporting Standards (IFRS 1)

The Company adopted the International Financial Reporting Standards for the first time on December 31, 2021. Therefore, the Company restated the financial position for two previous years, 2019 and 2020, previously reported in accordance with Order No. 1802 of December 29, 2014 - Part I for the approval of the Accounting Regulations on individual annual financial statements and consolidated annual financial statements (GAAP).

Consequently, the first financial statements of the Company included:

- three financial position statements
- three statements of profit or loss and other elements of the comprehensive result
- three cash flow statements
- three statements of changes in equity and
- related notes, including comparative information as set forth below.

2.4 Significant accounting policies

The accounting policies for the preparation of the financial statements were consistently applied by the Company in the years 2022 (the first adoption of IFRS) and 2023.
The company also adopted the Presentation of Accounting Policies (Amendments to IAS 1 and Statement 2 regarding IFRS practice) starting from January 1, 2023. Although the changes did not result in changes to the accounting policies, they affected the information regarding the accounting policies presented in the statements financial. The changes require the presentation of "material" rather than "significant" accounting policies. The amendments also provide guidance on the application of materiality in the presentation of accounting policies, helping entities to provide useful, entity-specific information that users need to understand other information in the financial statements.
Management reviewed the changes regarding the application of materiality to the presentation of significant accounting policies, and the information is consistent with the significant accounting policies from the previous reporting period.
The significant accounting policies applied by the Company in the preparation of its financial statements are described below:

- **Currency conversions**

The Company's financial statements are presented in RON, which is also the functional currency.

Foreign currency transactions are converted into RON using the exchange rate valid on the date of the transaction. Monetary assets and liabilities expressed in foreign currency at the end of the period are valued in RON using the exchange rate valid at the end of the financial year. Realized or unrealized gains and losses are recorded in the profit and loss account. The exchange rate was as follows:

Date	Euro	USD
31 December 2022	4.9474	4.6346
31 December 2023	4.9746	4.4958

Exchange rate differences, favorable or unfavorable, between the exchange rate from the date of recording the receivables or liabilities in foreign currency or the exchange rate at which they were reported in the previous financial statements and the exchange rate from the date of the end of the financial year, are recorded under financial income or expenses , as the case.

IFRS 15 Revenue from contracts with customers

IFRS 15 Revenue from contracts with customers establishes a five-step model for recognizing and recording revenue resulting from contracts with customers. In accordance with IFRS 15, revenue is recognized in the amount that reflects the consideration to which an entity expects to be entitled in exchange for the transfer of goods or services to the customer.

Sales of goods

In accordance with IFRS 15, revenue is recognized when a customer obtains control of the goods. The company delivers goods under contractual conditions based on internationally accepted delivery conditions. The moment when the customer obtains control of the assets is considered to be substantially the same for most of the Company's contracts under IFRS 15. The Company believes that revenue should be recognized when control of the asset is transferred to the customer, generally upon delivery of the goods.

Revenue recognition from distinct performance obligations

The company analyzed its contracts with customers to determine all its performance obligations, and did not identify any new performance obligations that should be accounted for separately in accordance with IFRS 15.

The company provides monitoring, support and audit services regarding information security as its main activity. Income is valued at the expected value of the consideration received or to be received. In accordance with IFRS 15, the total consideration from service contracts is allocated to all services based on their individual selling prices. Individual sales prices are established based on the list prices at which the Company provides the respective services in separate transactions. Based on the Company's assessment, the value allocated based on the relative individual selling prices of the services and the individual selling prices of the services are largely similar. Therefore, the application of IFRS 15 does not result in significant differences regarding the timing of revenue recognition for these services.

Equipment maintenance - Included in the transaction price for the sale of equipment is an after-sales service.

This service refers to maintenance work that may be required to be performed on the equipment for a period of one to three years after sale. This period can then be extended if the customer requires additional years of maintenance services. Renewal of services after the three-year period will be for the price at which they are sold by the Company to all its customers on the date of renewal, regardless of the existence of a renewal option. Accordingly, the option to extend the renewal period does not provide any benefit to customers when they terminate the initial contract, and therefore no revenue has been deferred related to this renewal option. The maintenance service is considered to be a distinct service because it is regularly provided by the Company to other customers independently and is available to customers from other providers in the market. Therefore, a portion of the transaction price is allocated to maintenance services based on the stand-alone selling price of those services. Revenues related to maintenance services are recognized over time. The transaction price allocated to these services is recognized as a contract liability at the time of the initial sales transaction and is amortized on a straight-line basis over the service period (ie, one to three years when the services are purchased together with the underlying equipment).

The recognition and measurement requirements of IFRS 15 are also applicable to the recognition and measurement of any gains or losses resulting from the disposal of non-financial assets (such as fixed assets and intangible assets), when this disposal is not in the normal course of business. However, upon transition, the effect of these changes is not significant for the Company.

Variable consideration

Some contracts with customers include trade price discounts or the right of return for quality defects. Currently, the revenues obtained from these sales are recognized based on the price specified in the contract, net of revenue reductions, commercial discounts recorded under accrual accounting when a reasonable estimate of revenue adjustments can be made.

According to IFRS 15, it is necessary to estimate the variable consideration at the beginning of the contract. Revenues are recognized to the extent that it is probable that a significant reversal of the value of the cumulative revenues recognized will not occur. Consequently, for those contracts for which the Company is unable to make a reasonable estimate of the discounts, the income is recognized earlier than when the return period passes or when a reasonable estimate can be made. In order to estimate the variable consideration to which it would be entitled, the Company applied the expected value method. At the same time, the cases of quality complaints (rights of return) are isolated and insignificant, based on information from past periods.

Considerations related to the action in one's own name and as an intermediary

In accordance with IFRS 15, the assessment is based on the criterion of whether the Company controls the specific goods before transferring them to the end customer, rather than whether it has exposure to significant risks and rewards associated with the sale of goods.

The company concluded that it acts in its own name in most of the contractual sales relationships, because it is the main provider in all revenue contracts, it has the right to set the price and it is exposed to the risks related to stocks. In the specific case of those contractual arrangements in which the Company does not control the goods before transferring them to the final customer, it has the capacity of an intermediary.

IFRS 9 Financial instruments

Financial assets

The financial assets of the Company are represented by trade receivables and other receivables, cash and cash equivalents.

Initial recognition: The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the Company's business model regarding their management. With the exception of commercial receivables that do not contain a significant financing component or for which the Company has applied the practical method, the Company initially evaluates a financial asset at its fair value plus, in the case of a financial asset that is not evaluated at fair value, through profit or loss transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical cost are valued at the transaction price determined according to IFRS 15.

Subsequent evaluation: The company measures financial assets at amortized cost if the following conditions are cumulatively met:

i) The financial asset is held within a business model with the objective of holding financial assets to collect contractual cash flows and;
ii) The contractual terms of the financial asset give rise at the specified dates to cash flows that represent exclusively payments of principal and interest from the principal amount in circulation (SPPI).

Financial assets at amortized cost are subsequently valued based on the effective interest method (EIR) and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognised, modified or depreciated.

Derecognition: A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is derecognised when:

i) The rights to receive cash flows arising from the asset have expired;
ii) The company transferred its rights to receive the cash flows arising from the asset or assumed an obligation to pay the cash flows collected in full, without significant delays, to a third party, based

on a commitment with identical flows; and (a) the Company has transferred substantially all the risks and rewards of the asset or (b) the Company has not transferred and retained substantially all the risks and rewards of the asset, but has transferred control over the asset;

iii) The company has transferred its rights to receive the cash flows from an asset or entered into a commitment with identical flows and has neither transferred nor retained significantly all the risks and rewards related to the asset, but neither has transferred control over the asset, the asset is recognized proportionally to the continuation of the Company's involvement in the respective asset. In this case, the Company also recognizes an associated debt.

iv) The transferred asset and the associated debt are evaluated on a basis that reflects the rights and obligations that the Company has retained. The continuation of the involvement that takes the form of a guarantee regarding the transferred asset is evaluated at the lower value between the initial accounting value of the asset and the maximum value of the consideration that could be imposed on the Company to reimburse it.

<u>Impairment of financial assets:</u> The Company recognizes a provision for expected credit losses for all financial assets attached to liabilities that are not held at fair value through profit or loss. For trade receivables and contractual assets, the Company applies a simplified approach in calculating expected losses. Therefore, the Company does not track changes in credit risk, but recognizes, instead, a provision based on the expected lifetime loss data at each reporting date. The company analyzes the receivables individually and takes into account the effect of the financial guarantees received from the insurers in the calculation of expected losses from lending. For more information, see Note 12 – Trade receivables and other receivables.

Financial debts

<u>Initial recognition:</u> Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and credits or derivatives designated as hedging instruments within an effective hedge, as the case may be. The company determines the classification of its financial liabilities upon initial recognition.

<u>Subsequent evaluation:</u> The company evaluates financial debts according to their classification, as follows:

i) Loans and credits: interest-bearing loans are subsequently evaluated at amortized cost using the effective interest rate method. Gains and losses are recognized in the profit and loss account when debts are derecognized, as well as during the amortization process at the effective interest rate. The amortized cost is calculated taking into account any discount or purchase premium and any commissions and costs that are an integral part of the effective interest rate. Amortization at the effective interest rate is included in the profit and loss account at financing costs.

ii) Financial guarantee contracts: The company initially recognizes financial guarantee contracts as a debt at fair value, adjusted to the costs related to the transaction that are directly attributable to the issuance of the guarantee. Subsequently, the debt is valued at the higher value of the best estimate of the expenditure necessary to settle the obligation present at the reporting date and the recognized value minus accumulated depreciation.

<u>Derecognition:</u> The company derecognizes a financial debt when the obligation related to the debt is extinguished, is canceled or expires. If a financial debt is replaced by another debt from the same creditor under substantially different conditions, or if the terms of an existing debt change substantially, this exchange or change is treated as a derecognition of the original debt and a recognition of new debts. The difference between the related accounting values is recognized in the profit and loss account.

Clearing of financial instruments

Financial assets and financial liabilities are offset and the net value reported in the statement of financial position only if there is currently both a legal right to offset the recognized amounts and an intention to settle on a net basis or to capitalize the assets and settle the debts simultaneously.

Interest income

The interest income generated by a financial asset is recognized when it is probable that the Company will obtain economic benefits and when that income can be reliably measured. Interest income is accumulated over time, by reference to the principal and the applicable effective interest rate, i.e. the rate that exactly updates the estimated future cash receipts over the anticipated period of the financial asset to the net book value of the asset at the date of initial recognition. Interest income is included in the profit and loss account under financial income.

Tax

Current profit tax

Current income tax receivables and payables for the current period are valued at the amount expected to be recovered from or paid to the tax authorities. The tax rates and fiscal laws used to calculate the amounts are those adopted or to a large extent adopted at the reporting date by Romanian legislation.

The current profit tax related to the elements recognized directly in equity is recognized directly in equity, not in the profit and loss account. The management periodically evaluates the positions presented in the fiscal declarations regarding the situations in which the applicable tax regulations are subject to interpretation and constitute provisions if necessary.

Deferred tax

Deferred tax is presented applying the variable ratio method regarding the temporary differences between the tax bases of assets and liabilities and their accounting value for the purpose of financial reporting at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, unless:

i) The deferred tax liability arises from the initial recognition of goodwill or a net asset or liability in a transaction that is not a business combination and, at the date of the transaction, affects neither accounting profit nor taxable profit or loss ;
ii) Deferred tax assets are recognized for all deductible temporary differences, unused tax credit carryforwards and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and credit carryforwards can be utilised. unused tax credits and any unused tax losses, unless;
iii) The deferred tax asset related to deductible temporary differences arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the date of the transaction, does not affect either accounting profit or taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer likely that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be used. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow recovery of the deferred tax asset.

Deferred tax assets and liabilities are valued at the tax rates expected to be applied for the period in which the asset is realized or the debt is settled, based on the tax rates (and tax regulations) that have been adopted or to a large extent adopted up to reporting date.

Deferred tax on items recognized outside profit and loss is recognized outside profit and loss. The elements regarding the deferred tax are recognized in correlation with the transaction supporting other elements of the global result or directly in the equity.

Deferred tax receivables and liabilities are offset if there is a legal right to offset current tax receivables with current profit tax liabilities and deferred taxes refer to the same taxable entity and the same fiscal authority.

VAT

Revenues, expenses and assets are recognized net of VAT, except for:

- The case in which the sales tax applicable to the purchase of assets or services is not recoverable, in this case the sales tax being recognized as part of the asset acquisition cost or as part of the expense element, as the case may be;
- Receivables and payables presented at a value including sales tax.

The net value of the sales tax recoverable from or paid to ANAF is included as part of receivables and payables in the statement of financial position.

Tangible assets

Initial assessment

Tangible assets are valued at cost, net of accumulated depreciation and/or accumulated impairment losses, if applicable.

This cost includes the replacement cost of the respective tangible fixed asset at the time of replacement and the cost of borrowing for long-term construction projects, if the recognition criteria are met.

When significant parts of tangible assets must be replaced at certain intervals, the Company recognizes the respective parts as individual assets with a specific useful life and depreciates them accordingly. Also, when carrying out a general inspection, its cost is recognized in the accounting value of tangible assets as a replacement, if the recognition criteria are met. All other repair and maintenance costs are recognized in the profit and loss account when incurred. The present value of the expected costs for scrapping the asset after its use is included in the cost of the respective asset if the criteria for recognizing a provision are met.

The cost of a tangible asset consists of:

- its purchase price, including customs duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs that can be directly attributed to bringing the asset to the location and condition necessary for it to function in the manner desired by management;
- the initial estimate of the costs of dismantling and moving the element and rehabilitating the location where it is located, the obligation that the entity bears when acquiring the element or as a consequence of using the element for a certain period for purposes other than those of producing stocks during that period.

Subsequent evaluation

Fixed assets are valued at historical cost from which amortization and possible adjustments for depreciation are deducted.

Depreciation of fixed assets

Depreciation is calculated using:

- the linear method for buildings and equipment that are not related to production capacity
- the accelerated method for fixed assets representing equipment that are related to the production capacity- in accordance with OG 101/2020

Duration of use

The period of economic use is the period of time in which the asset is expected to be used by a company. The economic useful life for tangible assets was determined by specialized employees. Depreciation is calculated using the straight-line or accelerated method, over the entire useful life of the asset.

The average lifetimes by category of fixed assets are as follows:

	Years
Fixed assets for production	2-8
Transport vehicles	6

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss resulting from the derecognition of an asset (calculated as the difference between the net proceeds on disposal and the accounting value of the item) is included in the profit and loss account when the asset is derecognised.

The residual values, lifetimes and depreciation methods of fixed assets are reviewed at the end of each financial year and adjusted accordingly.

- *Leasing*

The company evaluates whether a contract is or includes a leasing contract, at the initiation of the contract, that is, if that contract grants the right to control the use of an identified asset for a period of time in exchange for a consideration.

The company as lessee

The company applies a single recognition and valuation approach for all leasing contracts, except for short-term leasing contracts and leasing contracts for which the underlying asset has a low value. The company recognizes leasing liabilities for making lease payments and right-of-use assets that represent the right to use the underlying assets.

Assets related to the right of use

The company recognizes a right-of-use asset on the date the lease contract commences (ie the date the underlying asset is available for use). Right-of-use assets are valued at cost, less any accumulated depreciation and accumulated impairment losses and adjusted for any revaluation of lease liabilities. The cost of the asset related to the right of use includes the value of the initial evaluation of the rent liability, the initial direct costs incurred and the related rent payments made on or before the start date of the development, less the incentives received under the rental contract.

Right-of-use assets are depreciated using the shorter of the lease term and the estimated useful life of the assets, as follows:

- Buildings 8 years

The right-of-use asset is also subject to impairment in accordance with the policy for impairment of non-financial assets described below.

Lease liabilities

On the date of commencement of the leasing contract, the Company recognizes the leasing debt at the updated value of the leasing payments that must be made during the duration of the leasing contract. Lease payments include fixed payments (including fixed payments in the fund) less any lease incentives to be received, variable lease payments that depend on an index or a rate and amounts expected to be paid based on residual value guarantees. Leasing payments also include the exercise price of a purchase option, if the Company has reasonable certainty that it will exercise the option, as well as the payment of the penalties for terminating the leasing contract, if the duration of the leasing contract reflects the Company's exercise of a termination options. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or context that triggers this payment occurs.

When calculating the updated value of the leasing payments, the Company uses the marginal loan rate from the start date of the leasing contract, if the implicit interest rate in the leasing contract cannot be determined immediately. After the start date, the value of the lease liabilities is increased to reflect the interest and reduced by the value of the lease payments made. In addition, the carrying amount of lease liabilities is reassessed if there is a change, a change in the lease term, a change in lease payments (for example, changes in future lease payments resulting from a change in an index or rate used for determining those payments) or a change in the valuation of a call option on the underlying asset.

- *Intangible assets*

Separately acquired intangible assets are valued at initial recognition at cost. After initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the expense is reflected in the profit and loss account at the time the expense is incurred.

The useful lives of intangible assets are assessed as determinable.

Intangible assets with a determined useful life are amortized over their economic life and assessed for impairment whenever there are indications of impairment of the intangible asset. The amortization period and amortization method for an intangible asset with a definite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful lives or in the expected rate of consumption of the future economic benefits incorporated in the assets are accounted for by changing the method or the amortization period, as the case may be, and are treated as changes in accounting estimates. The expense of amortization of intangible assets with a useful life is recognized in the profit and loss account in the expense category in accordance with the function of intangible assets.

	Years
Computer programs	2-3
Research and development expenses	5

Gains or losses resulting from the derecognition of an intangible asset are calculated as the difference between the net disposal proceeds and the accounting value of the item and is recognized in the profit and loss account when the asset is derecognised.

Research and development expenses

Research costs are recognized as an expense when incurred. The expenses related to the development of an individual project are recognized as intangible assets when the Company can demonstrate:

- The technical feasibility required to complete the intangible asset so that it is available for use or sale;
- His intention to complete the intangible asset and the ability to use or sell it;
- The way in which the intangible immobilization will generate future economic benefits;
- Availability of resources to complete the immobilization;
- Its ability to reliably evaluate the expenses during the development of the immobilization.

After the initial recognition of the development expense of an asset, the cost model is applied, which provides for the accounting of assets at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation of fixed assets begins when the development is completed and the asset is available for sale/use. It is amortized over the period of the expected future benefit. Depreciation is recognized in the cost of goods sold. During the development period, the asset is tested annually for impairment.

Patents, licenses, trademarks

Patents, licenses, trademarks are recognized as intangible assets and evaluated according to the useful life period (definite - amortized, indefinite period - tested for impairment).

Derecognition of intangible assets

An intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses resulting from the derecognition of an intangible asset, assessed as the difference between the net proceeds from the sale and the net book value of the asset, are recognized in profit and loss when the asset is recognisable.

- **Government subsidies**

Government grants are not recognized until there is reasonable assurance that the Company will comply with the related conditions and that the grants will be received. Government subsidies are recognized in profit or loss systematically over the periods in which the Company recognizes as expenses the related costs for which the subsidies are intended to compensate. Specifically, government grants whose main condition is that the Company purchases, constructs or otherwise acquires fixed assets (including tangible and intangible fixed assets) are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss for a period. Systematic and rational basis over the useful life of the related assets.

Government subsidies that are to be received as compensation for expenses or losses already incurred or for the purpose of providing immediate financial support to the Company, without related future costs, are recognized in profit or loss in the period in which they become receivable.

- **Inventories**

The main categories of stocks are raw materials, goods and consumables.

The cost of stocks includes all purchase expenses, production costs (including all direct and indirect costs attributable to the operational activity of production) and other costs incurred in bringing the stocks to their current state and location.

Inventories are valued at the lower of cost and net realizable value. The net realizable value is the estimated selling price under the conditions of normal operation of the business less the estimated costs of completion and selling costs.

At the end of management, stocks are valued based on the FIFO method.

The company periodically inventories the stocks to determine if they are damaged, obsolete, have slow movement or if the net realizable value has decreased, and makes the necessary adjustments.

- **Depreciation of non-financial assets**

The company evaluates at each reporting date if there are indications of impairment of an asset. If there are indications or if an annual impairment test is necessary for an asset, the Company estimates the recoverable value of that asset. The recoverable amount of an asset is the higher of the fair value of an asset (or cash-generating unit) minus the costs associated with the sale and its value in use. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those of other assets or groups of assets. When the book value of an asset or cash-generating unit is greater than its recoverable amount, the asset is considered impaired and its book value is reduced to its recoverable amount.

In case of internally developed software, the first step in the analysis for the depreciation is that the ROA for the year (value of the realised revenuegenerated) should not be less than 20% of the net asset value at the year end. If the value of the generated income is less than 20%, the method mentioned below is used. In case generated revenue exceeds 20%, then there is no need to adjust for depreciation.

When assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax rate that reflects current market assessments of the time value of money and asset-specific risks. When determining the fair value minus the costs associated with the sale, recent market transactions are taken into account, if any. If such transactions cannot be identified, an appropriate valuation model is used.

The loss from the depreciation of continuing activities, including the depreciation of stocks, is recognized in the profit and loss account in the expense category consistent with the function of the depreciated asset, except for a property that was previously revalued and the revaluation was accounted for in other elements of the comprehensive result. In this case, the impairment is also recognized in other elements of the overall result up to the value of any previous revaluation.

In each reporting period, an assessment is made to determine if there are indicators that previously recognized impairment losses no longer exist or have decreased. If there is such an indication, the Company estimates the recoverable value of the asset or the treasury generating unit. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited, so that the accounting value of the asset does not exceed its recoverable value and does not exceed the accounting value that the asset would have had if it had not been previously depreciated. Such reversal is recognized in the profit and loss account unless the asset has been revalued, in which case the reversal is treated as a revaluation increase.

- *Cash and short-term deposits*

Cash and short-term deposits from the statement of financial position include cash at home and at banks and short-term deposits with an initial maturity of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents are made up of cash and short-term deposits defined above, net of outstanding overdrafts.

- *Provisions*

General

Provisions are recognized when the Company has a current obligation (legal or implied) generated by a previous event, it is likely that an outflow of resources incorporating economic benefits will be required to settle the obligation and the value of the obligation can be reliably estimated. If the Company expects that a provision will be fully or partially reimbursed, for example, based on an insurance contract, the reimbursement is recognized as a separate asset, but only if the reimbursement is almost certain. The related expense of any provision is presented in the profit and loss account, net of any reimbursement.

Provisions are reviewed at each balance sheet date and adjusted to reflect management's current best estimate in this regard. If an outflow of resources is no longer likely to settle an obligation, the provision must be canceled by resuming income.

Provisions for litigation

Litigation provisions are recognized when management estimates probable cash outflows as a result of unfavorable litigation.

- ***Pensions and other post-employment benefits***

As part of its current activity, the Company makes payments to the Romanian state on behalf of its employees for post-employment (retirement) benefits. All employees of the company are included in the pension plan of the Romanian State. The company does not operate any other pension scheme and, consequently, has no obligation regarding pensions. In addition, the Company has no obligation to provide additional benefits to former or current employees.

- **Related parties**

The parties are considered related when one of them has the ability to significantly control/influence the other party, through ownership, contractual rights, family relationships or by other means. Related parties also include the Company's principal owners, members of management, board members and members of their families, parties with which they jointly control other companies, post-employment benefit plans for the Company's employees.

- **Results carried forward**

The remaining accounting profit after the distribution of the 5% quota to the legal reserve, within the limit of 20% of the share capital, is taken within the carried forward result at the beginning of the financial year following the one for which the annual financial statements are drawn up, from where it is to be distributed to the other destinations legal.

The distribution of the profit is carried out accordingly in the following financial year, after the approval of the distribution in the General Meeting of Shareholders, eg: the value of the approved dividends and other reserves according to legal regulations.

3. RATIONALE, ESTIMATES AND SIGNIFICANT ACCOUNTING HYPOTHESES

The preparation of the Company's financial statements requires the management to make judgments, estimates and assumptions that affect the reported values for revenues, expenses, assets and liabilities, as well as the presented information that accompanies them, and to present the contingent liabilities at the end of the reporting period. However, the existing uncertainty related to these estimates and assumptions could result in a significant future adjustment of the accounting value of the affected asset or liability in future periods. Estimates and associated assumptions are based on historical experience and other factors that are deemed relevant. Actual results may differ from these estimates. The underlying estimates and assumptions are reviewed on an ongoing basis.

The following are the critical judgments, other than those involving estimates (which are presented separately below), that the Company's management made in the process of applying the Company's accounting policies and which have a significant effect on the amounts recognized in the financial statements.

Argument

During the application of the Company's accounting policies, the management made the following considerations, which have the greatest effect on the amounts recognized in the financial statements:

- Reasoning in determining the fulfillment of enforcement obligations

In making their judgment, the directors have considered the detailed revenue recognition criteria set out in IFRS 15 and, in particular, whether the Company has transferred control of the assets to client. Following the detailed quantification of the Company's liability regarding the rectification works, and the agreed limitation on the customer's ability to request additional work or to request the replacement of goods, the directors are satisfied that control has been transferred and that the recognition of income in the current year is appropriate, together with the recognition of an appropriate warranty provision for rectification costs.

- Reasoning regarding the capitalization of expenses as an intangible asset

In accordance with IAS 38, the capitalization of expenses as intangible assets regarding research, start-up costs, pre-exploitation and pre-opening, training, advertising and promotion, moving and relocation previously recognized in GAAP as assets are de-recognized in the position opening situation financial IFRS. Following a detailed analysis of the Company's expenses regarding the recognition of intangible assets, the Company's management considered that the recognition of assets in the reported period is appropriate.

During the current year, the Company capitalised development costs of RON12 million relating to software, on the basis that management considers these costs to be clearly associated with identifiable products which will be controlled by the Company and have a profitable benefit exceeding the cost beyond one year.
Capitalised costs related to three main software products, as presented in Note 10.

As mentioned above, in capitalising these development costs, management considered that the criteria in IAS 38, Intangible Assets (IAS 38) is met and development expenditure that does not meet the above criteria are recognised as an expense in profit or loss as these are incurred.

Estimates and assumptions

The main assumptions regarding the future and other important causes of the uncertainty of estimates at the reporting date, which present a significant risk of causing a significant adjustment of the accounting values of assets and liabilities in the next financial year, are presented below.

Taxes, fees and tax provisions

There are uncertainties regarding the interpretation of complex fiscal regulations, changes in fiscal legislation and the value and timing of future taxable profit.

All amounts owed to state authorities have been paid or ascertained at the balance sheet date. The Romanian fiscal system is undergoing a consolidation process and is in the process of being harmonized with European legislation. Different interpretations may exist at the level of the tax authorities in relation to the tax legislation which may lead to additional taxes and penalties. If the state authorities find fiscal violations and related regulations, it may lead to: confiscation of the amounts in the case; additional tax obligations; fines and penalties (which are applied to the outstanding amount). As a result, the tax penalties resulting from the violation of the legal provisions can lead to a significant debt.

At the end of each financial year, the Company makes an estimate of the potential fiscal risks to which it may be subjected and determines the level of potential risk, using the best available estimates, and consequently, if necessary, recognizes a specific provision in the financial statements.

Inventories

Finished products and goods are recorded at the lower of cost and net realizable value. The management analyzes the age of the stocks, the expiration date of the products, the quality of the products and possible non-conformity issues, the products that cannot be sold later or that are rejected based on quality problems, and takes into account their implications in determining the net realizable value of the stocks old.

The net realizable value is the sale price under normal business conditions, less completion, marketing and distribution costs, considering the future evolution of sale prices.

The management analyzed the net realizable value of the finished products monthly, taking into account the selling prices of the market as well as the regulations specific to the industry in which it operates.

For the raw materials, specific analyzes are carried out taking into account the age, expiration date, possible quality problems of the elements in the balance.

All assumptions are reviewed annually.

Provisions for litigation

The company recognizes provisions for litigation related to the risks identified in connection with certain lawsuits pending before the courts, the outcome of which is not certain.

The lifetimes for fixed assets and the depreciation method

The company estimates the life spans for the items of tangible assets in accordance with the rate of consumption / wear and tear for the respective assets.

The company considers and uses the following depreciation methods:

- the linear method for buildings, fixed assets purchased in financial leasing and for equipment that are not related to production capacity
- the accelerated method for fixed assets representing equipment that are related to the production capacity

Sales discounts for estimated returns, price reductions

Returns, discounts, incentives and rebates related to sales are recognized as reductions in turnover, in the period in which the respective sales were recognized. These are recognized according to commercial offers with monthly, quarterly and annual gross and net value targets. Estimated unbilled discounts are subject to continuous review and appropriate adjustment based on the latest available information.

4. STANDARDS, AMENDMENTS AND NEW INTERPRETATIONS OF THE STANDARDS

The accounting policies adopted are in accordance with those of the previous financial year and took into account the following amendments to the standards adopted by the European Union and applied starting from 1.1.2023:

International Financial Reporting Standard 17 "Insurance contracts" and the amendment to International Financial Reporting Standard 17 "Insurance contracts" (Regulation 2021/2036/19.11.2021).

On 18.05.2017, the International Accounting Standards Board issued IFRS 17, which replaces IFRS 4 "Insurance contracts". Unlike IFRS 4, the new standard introduces a consistent methodology for the accounting of insurance contracts. The essential principles of IFRS 17 are the following:
An entity:

- ✓ identifies an insurance contract as a contract under which the entity accepts a significant insurance risk from the other party (the insurance policyholder), agreeing to indemnify the policyholder if a specified uncertain future event has an adverse effect on it From behind;
- ✓ separates specified embedded derivatives, distinct investment components and distinct performance obligations from insurance contracts;
- ✓ it divides the contracts into groups that it will recognize and measure;
- ✓ recognizes and measures groups of insurance contracts at:
  i. a risk-adjusted present value of future cash flows (realizable cash flows) that includes all available information about realizable cash flows consistent with observable market information; and
  ii. an amount representing the unrealized profit related to the group of contracts (the contractual margin of the service);
- ✓ recognizes the profit from a group of contracts during the period for which the entity provides insurance and as the entity is released from risk. If a group of contracts is or becomes a loss generator, the entity immediately recognizes the loss.
- ✓ presents separately the income from insurances, the expenses with insurance services, and the incomes and expenses related to the investment component; and
- ✓ ppresents information to allow users of the financial statements to evaluate the effect that the contracts within the scope of IFRS 17 have on the financial situation, financial performance and cash flows of an entity.

On 25.6.2020, the International Accounting Standards Board issued an amendment to IFRS 17, which aims to facilitate the implementation of the standard and make it easier for entities to explain their financial performance. In addition, with this amendment, the entry into force date of the standard was postponed to 1.1.2023.
Finally, it is noted that, in accordance with the European Union Regulation that adopted the above standard, an entity may choose not to apply paragraph 22 of the standard, according to which an entity must not include in the same group contracts issued at more than for a year distance, in:
(a) groups of insurance contracts with direct participation characteristics and groups of contracts

of investments with discretionary participation characteristics and with cash flows that affect or are affected by cash flows to policyholders of other contracts;

(b) groups of insurance contracts that are managed by generations of contracts and which meet the conditions provided for in Article 77b of Directive 2009/138/CE and which have been approved by the supervisory authorities for the application of the balancing premium.

The changes had no impact on the Company's financial statements.

Amendment to the International Financial Reporting Standard 17 "Insurance contracts": Initial application of IFRS 17 and IFRS 9 - Comparative information (Regulation 2022/1491/8.9.2022).

On 9.12.2021, the International Accounting Standards Board issued an amendment to IFRS 17 according to which, upon initial application of IFRS 17, entities are allowed to classify financial assets for the comparative period in a way that is aligned with that in which the entity would classify in the transition to IFRS 9. The amendment specifies how this option is applied depending on the entity's situation, i.e. if it applies IFRS 9 for the first time simultaneously with IFRS 17 or if it has already applied it in a previous period.

The changes had no impact on the Company's financial statements.

Amendment to International Accounting Standard 1 "Presentation of financial statements": Presentation of accounting policies (Regulation 2022/357/2.3.2022).

On 12.2.2021, the International Accounting Standards Board issued an amendment to IAS 1, clarifying that:
- ✓ the entity must present significant information regarding the accounting policy. The information regarding the accounting policy is significant if, when considered together with other information included in the financial statements of an entity, it can reasonably be expected that they will influence the decisions taken by the main users of the financial statements.
- ✓ The information regarding the accounting policy that refers to insignificant transactions is immaterial and does not need to be presented. The information regarding the accounting policy can still be significant due to the nature of the transactions it refers to, even if the amounts are insignificant. However, not all information regarding accounting policies related to significant transactions and other events is in itself significant.
- ✓ The information regarding the accounting policy is significant if the users of the financial statements of an entity would need it to understand other material information from the financial statements.
- ✓ Accounting policy information that focuses on how an entity applies an accounting policy is more useful to users of financial statements than standardized information or information that only summarizes the requirements of IFRS standards.
- ✓ If an entity presents insignificant information regarding accounting policy, this should not overshadow material accounting policy information.

The changes had no impact on the Company's financial statements.

Amendment to International Accounting Standard 8 "Accounting policies, changes in accounting estimates and errors": Definition of accounting estimates (Regulation 2022/357/2.3.2022).

On 12.2.2021, the International Accounting Standards Board issued an amendment to IAS 8 whereby:
- ✓ Defined accounting estimates as monetary values in financial statements that are subject to measurement uncertainties.
- ✓ Clarified that an accounting policy may require elements of the financial statements to be evaluated in a way that involves measurement uncertainty. In such a case, an entity makes an accounting estimate. The preparation of accounting estimates involves the use of judgments and assumptions.

- ✓ An entity uses measurement techniques and input data to develop an accounting estimate.
- ✓ An entity might have to change an accounting estimate. By its nature, a change in an accounting estimate does not refer to previous periods and does not represent the correction of an error.
- ✓ A change in an input data or a change in a measurement technique are changes in accounting estimates, unless they result from the correction of errors from the previous period.

The changes had no impact on the Company's financial statements.

Amendment to International Accounting Standard 12 "Income tax": Deferred tax related to assets and liabilities arising from a single transaction (Regulation 2022/1392/11.8.2022).

On 7.5.2021, the Council for International Accounting Standards issued an amendment to IAS 12 by which it narrowed the scope of the exemption from recognition according to which, in specific situations, entities are exempted from the recognition of deferred tax at the initial recognition of assets or debts. The amendment clarifies that the exception no longer applies to transactions that, upon initial recognition, give rise to equal taxable and deductible temporary differences.

The changes had no impact on the Company's financial statements.

Amendment to International Accounting Standard 12 "Income Tax": International Tax Reform - Rules of the Second Pillar Model (Regulation 2023/2468/ 8.11.2023).

On 23.5.2023, the International Accounting Standards Board issued an amendment to IAS 12 with the aim of providing guidance on the treatment of the provisions imposed by the International Tax Reform Pillar Two Model Rules. In particular, according to the amendment, an entity:

- ✓ It must not recognize and not present information regarding deferred tax assets and liabilities arising from the profit tax according to Pillar Two.
- ✓ It must present the fact that he applied the above exception.
- ✓ It must present separately the expenses (income) with the current tax related to the profit tax according to Pillar Two.
- ✓ in the periods in which the legislation of the Second Pillar was adopted (or was substantially adopted), but has not yet entered into force, it must present known information or that can be reasonably estimated, which will help the users of the financial statements to appreciate its exposure to profit tax according to Pillar Two.

The changes had no impact on the Company's financial statements.

Amendment to International Financial Reporting Standard 16 "Leasing contracts": Leasing liability in the context of a sale and lease (Regulation 2023/2579/ 20.11.2023)

In force for the annual periods starting on 1.1.2024 or after this date. On September 22, 2022, the International Accounting Standards Board amended IFRS 16 to clarify that, in a sale and leaseback transaction, the seller-lessee must determine "lease payments" or "revised lease payments" so that do not recognize any amount in the gain or loss that relates to the retained right of use. In addition, in case of partial or total termination of a leasing contract, the seller-lessee is not prevented from recognizing in profit or loss any gain or loss resulting from this termination.

The company is examining the impact of adopting the above amendment on its financial statements.

Amendment to International Accounting Standard 1 "Presentation of financial statements": Classification of current or non-current liabilities (Regulation 2023/2822/19.12.2023).

In force for the annual periods starting on 1.1.2024 or after this date.

On 23.1.2020, the International Accounting Standards Board issued changes to IAS 1 regarding the classification of liabilities as current or non-current. More specific:

- ✓ the changes specify that those conditions that exist at the end of the reporting period are the ones that will be used to determine whether the obligation should be classified as current or non-current.
- ✓ management's expectations regarding events subsequent to the balance sheet date should not be taken into consideration.
- ✓ the changes clarify the situations that are considered liquidation of a debt.

On 15.7.2020, taking into account the impact of Covid-19, the International Accounting Standards Board extended the effective date by one year.
The company is examining the impact of adopting the above amendment on its financial statements.

Amendment to International Accounting Standard 1 "Presentation of financial statements": Non-current liabilities with contractual clauses (Regulation 2023/2822/ 19.12.2023)

In force for the annual periods starting on 1.1.2024 or after this date.
On 31.10.2022, the International Accounting Standards Board (IASB) issued an amendment to IAS 1 through which it provided clarifications regarding the classification as current or non-current, of a debt for which the entity has the right to postpone settlement for at least 12 months and which is subject to compliance with contractual clauses. More precisely, it has been clarified that only the obligations that an entity must comply with on or before the reporting date affect the classification of a debt as current or non-current. In addition, the amendment extended by one year the effective date of the amendment issued in 2020 for IAS 1 "Classification of current or non-current liabilities".

The company is examining the impact of adopting the above amendment on its financial statements.

In addition, the International Accounting Standards Board adopted the following standards and amendments to the standards, which have not yet been adopted by the European Union and which have not been applied in advance by the Company.

Amendment to the International Financial Reporting Standard 10 "Consolidated financial statements" and to the International Accounting Standard 28 "Investments in associated entities and joint ventures": Sale or contributions of assets between an investor and the associated company.

Date of entry into force: to be determined.

International Financial Reporting Standard 14 "Deferral accounts related to regulated activities"

In force for the annual periods starting on 1.1.2016 or after this date.

5. SALES OF GOODS AND SERVICES AND EXPENSES WITH RAW MATERIALS AND CONSUMABLES

5.1 Turnover

The Company has only one reportable segment, which is the sale of cybersecurity products and services.

Management's objective is always to pursue profit, not revenue, and this can be achieved through a proper sales and marketing strategy, covering multiple sectors and markets. In 2023, considering the demand of the markets as well as the legislative context, the business strategy was focused on increasing the amount of money and implicitly profitability.

The Company's management monitors operational activities and resource allocation to maximize performance. Performance is evaluated based on operating profit or loss, gross profit or loss.

The company monitors sales according to their type - services and sales of goods.

	31 december 2023	31 december 2022
Internal sales	30.961.462	31.350.708
External sales	149.723	3.578.193
Total turnover	**31.111.185**	**34.928.901**

5.2. Raw materials and consumables used

Raw materials and consumables used	**31 December 2023**	**31 December 2022**
Raw materials	6.973.648	12.085.308
Fuel materials and spare parts	30.540	12.014
Merchandise	9.959.197	204.663
Supplies	53.032	23.303
Inventory items	79.438	47.727
Others	7.134	4.792
Total	**17.102.989**	**17.990.744**

The expenses with raw materials mainly refer to the expenses for the purchase of cyber security hardware and software products.

6. OTHER INCOME / EXPENSES AND ADJUSTMENTS

6.1 Other operating revenues

In 2023, the Company presents the following operating income:

	31 december 2023	31 december 2022
Income from operating subsidies	543,626	0
Income from subsidies for investments	338,199	338,199

	31 december 2023	31 december 2022
Income/(expenses) from the sale of assets	338,402	0
Other operating revenues	400,679	13,175
Total other operating income	**1,620,906**	**351,374**

6.2 Oher expenses

	31 December 2023	31 December 2022
Services	2.978.245	3.809.425
Telecommunication services	116.473	85.081
Sponsorship	213.124	139.000
Insurance	116.381	140.772
Utilities	107.152	185.052
Travel expenses	232.177	109.315
Training	89.829	29.696
Maintenance	32.473	25.849
Other	464.825	496.381
Total	**4.350.681**	**5.119.754**

Utilities mainly refer to energy and water expenses.

Service expenses include a wide variety of services: legal consulting, marketing, capital market consulting, subcontracting expenses for some programming services.

Repair services include special fleet repair services.

Other expenses include mainly bank commissions, fees, other expenses with taxes and fees.

6.3 Financial expenses

Financial expenses

	31 December 2023	31 December 2022
Interest expense	103.982	112.601
Expenses with exchange rate differences	103.000	87.305
Other financial expenses	17.689	-
Total	**224.671**	**199.906**

Interest expenses are represented by the amounts related to bank loans.

6.4 Financial income

Financial income

	31 December 2023	31 December 2022
Gains on exchange rate differences	75.529	112.196
Interest income	39.440	48.330
Total	**114.969**	**160.526**

6.5 Employee benefit expenses

Salary expenses

	31 December 2023	31 December 2022
Wages	11.263.521	9.583.558
Payroll taxes	272.689	254.829
Wage benefits (meal vouchers)	-	147.747
Total	**11.536.210**	**9.986.134**

In 2022, through the General Meeting of Shareholders, it was decided to approve the implementation of a plan to reward and motivate the Company's key personnel, of the Stock Option Plan (SOP) type, which will take place in the period 2022-2024, with the objective of granting rights regarding the free acquisition of a determined number of shares by the Company's employees, administrators and/or directors for the purpose of their loyalty and motivation. It was also approved the repurchase by the Company of its own shares through acquisitions in the market where the shares are listed or through public tender offers.

Among the approved conditions of the SOP, are:

- The right to acquire shares will be exercised after a period established by the decision of the Board of Directors ("CA") regarding the implementation of the SOP plan, which will be at least 1 year between the moment of granting the right and the moment of its exercise;
- Within the SOP plan, the persons occupying the positions in the Company's organizational chart, to be established by the decision of the AGM or the decision of the CA, as the case may be, will be able to participate, respecting the principle of non-discrimination;
- Implementation of the SOP plan, in compliance with the legal obligations to prepare and publish information documents, in accordance with the law and the applicable ASF regulations

Among the redemption conditions of the treasury shares are:

- The maximum number that can be purchased is 6,500,000 shares;
- The price per share to be paid will be between the minimum price of 0.2 lei and a maximum price of 6 lei;

- The aggregate value of the redemption program is up to 1,600,000 lei;
- The duration of the redemption program is a maximum of 18 months from the publication of the AGM decision in the Official Gazette

Thus, in November 2022, the Company repurchased a number of 433,703 own shares, worth 1,153,990.43 lei, signing a number of 48 option agreements.
In November 2023, part of the option agreements were exercised, corresponding to a number of 291,600 own shares. The difference of 142,103 own shares was granted free of charge in the form of a bonus to employees, managers based on the Share Grant Agreement, as a performance bonus for the activity carried out during the year 2023 (1.01.2013-31.12.2023).

6.6 Marketing and advertising expenses and protocol

The company recognizes as marketing and advertising expenses the expenses generated by the media promotion campaigns. During the current year, in this category are recorded mainly expenses for the promotion of the Company's products and projects.

7. CURRENT AND DEFERRED PROFIT TAX

Income tax expense	**1 January - 31 December 2023**	**1 January - 31 December 2022**
Current profit tax	1.298.143	1.405.361
Deferred tax (expense (income)	(20.990)	(9.265)
Total	**1.277.153**	**1.396.096**

8. RESULT PER ACTION

The values of the basic result per share are calculated by dividing the net profit of the year attributable to ordinary shareholders by the weighted average number of ordinary shares in circulation during the year.

The weighted average number of ordinary shares during the period is the number of ordinary shares existing at the beginning of the period, adjusted by the number of ordinary shares repurchased or issued during the period multiplied by a time weighting factor. The weighting factor in time is the number of days in which the shares were in existence as a proportion of the total number of days in the period.

The number of shares related to the period ended on December 31, 2023 is 66,500,000.

9. TANGIBLE FIXED ASSETS AND ASSETS RELATED TO THE RIGHT OF USE

CORPORATE FIXED ASSETS

	Land buildings &pipes	Improvements building	Machinery Vehicles, office, equipment	Plant & equipment	Tangible immobilizations in progress	Total
Gross value on 1 Jan 2023	**1.978.668**	**11.985**	**3.380.522**	**438.489**	**-**	**5.809.664**
Additions	371.901	403.610	525.084	68.799	383.062	**1.752.396**
Revaluation	-	-	-	-		
Disposals	-	-	(441.824)	(7.700)	(383.062)	**(832.586)**
Transfers	-	-	(465.536)	-		**(465.536)**
Gross value on 31 Dec 2023	**2.350.569**	**415.595**	**2.998.185**	**499.588**		**6.263.938**
Amortization and depreciation on January 1, 2023	**807.873**	**5.532**	**2.875.567**	**383.800**		**4.072.772**
Amortization in the year	288.908	57.243	446.054	34.326		**826.531**
Disposals	-	-	(417.525)	-		(417.525)
Transfers	-	-	(27.079)	-		**(27.079)**
Amortization and depreciation on 31 Dec 2023	**1.096.781**	**62.774**	**2.877.016**	**418.126**		**4.454.698**
Net Book Value 31 dec 2023	**1.253.788**	**352.821**	**121.169**	**81.462**		**1.809.239**

	Land buildings &pipes	Improvements building	Machinery Vehicles, office, equipment	Plant & equipment	Total
Gross value on 1 Jan 2022	**1.722.129**	**11.985**	**3.181.618**	**373.037**	**5.288.769**
Additions	256.539	-	198.904	15.346	470.789
Revaluation	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers	-	-	-	50.106	50.106
Gross value as of 31 Dec 2022	**1.978.668**	**11.985**	**3.380.522**	**438.489**	**5.809.664**
Amortization and depreciation on January 1, 2022	**596.121**	**4.149**	**1.845.075**	**241.044**	**2.686.389**
Amortization in the year	211.752	1.383	1.030.492	92.651	1.336.278
Disposals	-	-	-	-	-
Amortization and depreciation on 31 Dec 2022	**807.873**	**5.532**	**2.875.567**	**383.800**	**4.072.772**
Net Book Value 31 dec 2022	**1.170.795**	**6.453**	**504.955**	**54.689**	**1.736.892**

The company recognized in the category of "Assets related to the right of use": rental contracts and financial leasing contracts regarding the purchase of cars.

The company has a rental contract that includes extension and termination options. These options are negotiated by the Company's management to provide flexibility in the management of the portfolio of leased assets and to align with the Company's business needs. The management of the Company exercises significant judgment to determine whether there is reasonable certainty for the extension or termination of the contract. Leasing contracts are concluded for a fixed period of five years.

The accounting value of the rental debt and the movements recorded within this category in the period January 2023 - December 2023:

At January 1, 2023	**1.284.906**
Additions	371.901
Interest associated with the leasing debt	102.416
Lease payments	431.030
Debt revaluation	61325
At 31 decembrie 2022	**1.389.518**

The following expenses represent the amounts recognized in profit or loss in connection with leasing contracts:

2023

Depreciation of assets related to the right of use	288.908
Interest expense related to the leasing debt	102.416
Total expenses recognized in the profit and loss account	**391.325**

At 1 january 2022	**1.284.906**
Additions	256.539
Interest associated with the leasing debt	89.439
Lease payments	(290.712)
Debt revaluation	603
At 31 december 2022	**1.340.775**

The following expenses represent the amounts recognized in profit or loss in connection with leasing contracts:

2022

Depreciation of assets related to the right of use	211.752
Interest associated with the leasing debt	89.439
Total expenses recognized in the profit and loss account	**301.190**

	31 december 2023	**31 december 2022**
Short-term leasing debt	307,068	251,228
Long-term leasing debt	1,082,451	1,089,547
Total leasing debt	**1,389,518**	**1,340,775**

10. INTANGIBLE ASSETS

	Establishment expenses	Development expenses	Concessions, patents and other rights	Other intangible assets	Total
Costs on January 1 2023	**323.700**	**23.372.547**	**114.429**	**7.344.979**	**31.155.655**
Additions	-	14.159.375	-	1.151.108	**15.310.483**
Disposals	-	-	-	-	**-**
Transfers	-	-	-	-	**-**
Costs as at 31 December 2023	**323.700**	**37.531.922**	**144.429**	**8.496.087**	**46.466.138**
Amortization and depreciation on January 1, 2023	**167.760**	**-**	**114.429**	**3.955.324**	**4.237.513**
Amortization in the year	155.941	-	-	1.459.748	**1.615.689**
Disposals	-	-	-	-	**-**
Amortization and depreciation on December 31, 2023	**323.701**	**-**	**114.429**	**5.415.073**	**5.853.202**
Net book value at December 31, 2023	**-**	**37.531.922**	**-**	**3.081.014**	**40.612.935**

	Establishment expenses	Development expenses	Concessions, patents and other rights	Other intangible assets	Total
Costs on January 1 2022	**195.965**	**12.228.077**	**114.429**	**5.266.206**	**17.804.677**
Additions	127.735	12.702.364	-	2.078.773	**14.908.872**
Disposals	-	-	-	-	**-**
Transfers	-	(1.557.894)	-	-	**(1.557.894)**
Costs as at 31 December 2022	**323.700**	**23.372.547**	**114.429**	**7.344.979**	**31.155.655**
Amortization and depreciation on January 1, 2022	**64.658**	**-**	**114.429**	**2.287.621**	**2.466.708**
Amortization in the year	103.102	-	-	1.667.703	**1.770.805**

	Establishment expenses	Development expenses	Concessions, patents and other rights	Other intangible assets	Total
Disposals	-	-	-	-	-
Amortization and depreciation on December 31, 2022	**167.760**	**-**	**114.429**	**3.955.324**	**4.237.513**
Net book value at December 31, 2022	**155.941**	**23.372.547**	**-**	**3.389.655**	**26.918.142**

Own products are included in the category of research and development expenses: currently, the company has a number of its own cyber security products under development or that it intends to develop, which will bring new added value to customers.

iSAM - In March 2019, Safetech launched its first cybersecurity product - iSAM, the Information Security Automation Manager. iSAM enables information security managers of companies to better manage cyber security within their organization by automating certain processes, providing real-time updates on the level of cyber protection and enabling early detection of cyber security threats. Safetech holds the National Computer Program Registry certificate for iSAM.

The certificate was issued on 22.01.2020 by the Romanian Copyright Office. The main functionalities of the application developed by Safetech include:

- inventory of business processes and IT systems;
- management of security policies and standards within the organization;
- continuous analysis and management of risks and vulnerabilities;
- event and security incident management.

The solution automates some of the activities of information security officers, but also helps organize security reports, bringing together information from various departments, thus saving time and aligning the practices used in a company. The platform also has the option to generate almost instantaneous reports on the level of IT security within the organization, as well as to provide tools for the management of security indicators and risks.

The solution is mainly aimed at large companies in the financial-banking, healthcare, transport, energy, utilities and digital infrastructure sectors, ensuring compliance with the relevant IT security provisions applicable to these industries. iSAM helps companies comply with the following regulations currently applicable in Romania:

- Law 362/2018 on ensuring a high level of security of computer networks and systems;
- Norm 4/2018 of the Financial Supervision Authority (ASF) regarding the management of operational risks;
- BNR Regulation 3/2018 regarding the monitoring of the financial market and the infrastructure of payment instruments;
- General Regulation on the Protection of Personal Data (GDPR). The valorization of the project is carried out by two methods:
- Capitalization in the form of either a perpetual license or a subscription (annual service on premises - annually renewable) to the company's beneficiaries.
- Valorization in the form of streamlining the activity within the Security Operations Center - STI CERT company structure, both in the daily security monitoring activities of the company's beneficiaries, as well as in the security testing and information security management services.

During 2023 important developments were made to the iSAM solution, in amount of RON 1.988 thousands, mainly representing software development employee costs, and subcontractors' costs.

ToR-SIM (research project completed in 2020) - Capitalization as either a perpetual license or subscription (annual "on premises" service) to the Integrated Mobile Terminal Malware Analysis Software Platform (Acronym: ToR-SIM). The software platform that integrates, in a unified way, the malware analysis procedures for most of the equipment on the market at the moment, in order to strengthen the security of terminals and networks, identify the operational requirements and the capabilities necessary to develop and secure solutions for devices and mobile applications that to ensure, through a partnership between the responsible governmental factors, the academic and industrial environment, the increase in the efficiency of cyber protection solutions. The platform is developed at the prototype level, validated on a single beneficiary (the one established by the research project, which gave its acceptance that the product was developed according to the project's requirements). Further development of the product to commercial product level follows.

During 2023 important developments were made to the ToR-SIM solution, in amount of RON 757 thousands, mainly representing software development employee costs, and subcontractors' costs.

SafePic (grant funded project that will be completed in 2023) - It aims to increase the response capacity of STI–CERT to cyber security attacks and incidents, through automation and interoperability with similar structures at national and international level, but also the development organizational by carrying out a set of design actions and implementing measures to improve the components of the management system (strategy, structure, information system, decision-making system, methodological system), aimed at increasing the performance and competitiveness of the organization.

During 2023 the project continued in accordance with project plan and budget, where reimbursment applications submittted and approved by management authorities based on the software developments, license purchases, subcontracting, in amount of RON 7.7989 thousands.

BCM – project started at the beginning of 2023, financed from own resources, with the aim of developing a software application for business continuity management. Upon completion of the project, the resulting product will be capitalized through subscription-type licenses. During the year 2023, the project was carried out in accordance with the project plan and budget, the expenses being in the amount of 3,423 thousand lei

11. INVESTMENTS IN AFFILIATED ENTITIES

On December 31, 2023, the Company holds shares in Safetech Innovations Global Services Limited.

Investments in affiliated entities	31 december 2023	31 december 2022
Shares - Safetech Innovations Global Services Limited	3.912.041	3.912.041

12. INVENTORIES

Inventories	31 December 2023	31 December 2023
Raw materials	269.429	-
Products	131.271	91.864
Supplies	-	2.699
Total	**400.699**	**94.563**

.
The company has no slow-moving inventory.

13. TRADE RECEIVABLES AND OTHER / CURRENT RECEIVABLES

Trade receivables and other receivables	31 December 2023	31 December 2022
Total net trade receivables of which:	**6.835.481**	**15.339.546**
Trade receivables, of which	6.377.903	7.241.506
Trade receivables with affiliated companies	-	*3.166.336*
Uncertain trade receivables	186.104	186.178
Clients invoices to be drawn up	248.733	8.033.806
Other receivables	208.846	64.234
Minus		
Allowances for expected losses on receivables	(186.104)	(186.178)
Total other receivables of which:	**343.648**	**673.724**
Different debitors	198.541	559.885
Prepayments	141.323	66.766
Other current assets	3.785	47.073

Total receivables on December 31, 2023	**0 - 30 days**	**30 - 60 days**	**60-120 days**	**120-365 days**	**Older than 1 year**
6.377.903	5.673.589	610.810	0	24.749	68.755

Total receivables on December 31, 2022	**0 - 30 days**	**30 - 60 days**	**60-120 days**	**160-365 days**	**Older than 1 year**
7.241.506	7.167.073	0	0	30.229	44.204

14. CASH AND CASH EQUIVALENTS

	31 december 2023	31 december 2022
Cash at the bank in RON	3.361.349	2.802.298
Cash at the bank in foreign currency	124.640	690.002
Cash in hand	-	12.249
Other values	-	40.925
Total	**3.485.989**	**3.545.474**

Cash in the bank bears interest at the daily interest rate when deposits are made. Short-term deposits are made for different periods of time between 1 day and 3 months, depending on the cash needs of the Company and accumulate interest at the appropriate interest rates.

15. CAPITAL AND RESERVES

Authorized Shares/Social Parties	**31 December 2023**	**31 December 2023**
Ordinary shares of 0.2 RON each	66.500.000	66.500.000

Ordinary shares issued and paid in full	**Number**	**Value**
At 31 december 2022	66.500.000	13.300.000
At 31 december 2023	66.500.000	13.300.000

Share capital	**31 December 2023**	**31 December 2023**
Subscribed and unpaid social capital	-	-
Subscribed and paid-up capital	13.300.000	13.300.000
Total share capital	**13.300.000**	**13.300.000**

On 18.09.2020 the Company decided on the transformation from a Limited Liability Company to a Joint Stock Company and the share capital was set at 500,000 ROL and 2,500,000 shares with a nominal value of 0.2 RON.

On October 19, 2020, the General Shareholders' Meeting approved the decision to increase the Company's share capital by the maximum amount of 125,000 RON, by cash contribution, from the amount of 500,000 RON to the maximum amount of 675,000 RON, by issuing a number of 1,125,000 new shares ("New Shares"), with a nominal value of 0.2 RON / share ("Social Capital Increase") through private placement.

On April 16, 2021, the General Shareholders' Meeting approved the decision to increase the Company's share capital by a maximum amount of 2,500,000 RON, through a cash contribution, from the amount of 625,000 RON to a maximum amount of 3,125,000 RON , by issuing a number of 12,500,000 new shares ("New Shares"), with a nominal value of 0.2 RON / share ("Share Capital Increase") offered for subscription to the shareholders registered in the Company's shareholder register held by the Central Depository TO.

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

On July 22, 2021, the Extraordinary General Meeting of Shareholders took place. The legal and statutory quorum related to the meeting was constituted at the first convocation. During the AGEA, the shareholders voted in favor of increasing the Company's share capital by 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 was carried out in order to expand the activity of the issuer, 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 the promotion and sale of Safetech Innovations solutions and services on foreign markets.

The registration date for the share capital increase was 31.08.2021, ex-date 30.08.2021, and 01.09.2021 was the date when the pre-emptive rights were loaded into the shareholders' accounts. In the same AGM, the establishment of two companies, one in Great Britain and one in the USA, partly owned by the Company, as an associate with a percentage of at least 67% of the share capital, was also approved.

In the first semester of 2022, the company registered an increase in the share capital, thus the number of shares increases to 66,500,000 shares, totaling 13,300,000 lei. The nominal value of the shares being 0.2 RON/share.

Between August and December 2022, the Company repurchased a number of 433,703 own shares, worth 1,153,990.43 lei. For the redeemed shares, the Company signed option agreements in November 2022.
In November 2023, part of the option agreements were exercised and part of them were granted free of charge in the form of bonuses to the key personnel of the entity, so that on December 31, 2023 all the Company's own shares were distributed. This aspect is detailed in note 6.5 of these financial statements.

At December 31, 2023, the shareholding structure is as follows:

Ownership structure	No. Actions	Percentage
Victor Gansac	21.014.928	31.6014%
Paul Rusu	21.000.000	31.5789%
Other shareholders	24.485.072	36.8197%
Total	**66.500.000**	**100%**

Reserves

Total other reserves included in capital components:	31 December 2023	31 December 2022
Legal reserves	1.676.302	1.090.284
Other reserves (other funds)	29.782	29.782
Reported result	7.367.115	1.543.408
Total other reserves	**9.043.199**	**2.663.473**

Legal reserves

The company establishes legal reserves in accordance with the law of commercial companies, which stipulates that 5% of the annual profit before tax be transferred to "Legal reserves" until the reserve reaches the threshold of 20% of the share capital. Legal reserves are not distributable.

Other reserves

Other reserves include distributions of profits related to the years prior to 2023. These reserves are available for distribution in the form of dividends.

16. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

As detailed in the accounting policies, the Company applies a defined employee benefit plan. The plan requires the company to pay the social insurance contribution for employees, in the public pension fund.

As part of its current activity, the Company makes payments to the Romanian state for the benefit of its employees. All employees of the company are included in the pension plan of the Romanian State. The company does not operate any other pension scheme or post-retirement benefit plan and, consequently, has no obligation regarding pensions. In addition, the Company has no obligation to provide additional benefits to former or current employees.

Retirement benefits: The Collective Labor Agreement does not provide for any benefits that the Company must grant to employees upon retirement based on seniority within the Company and that could have an impact on the financial statements.

In 2022, the company approved the implementation of a plan to reward and motivate the Company's key personnel by granting free shares in the future.

17. TRADE AND OTHER LIABILITIES (CURRENTS)

Trade and other liabilities	31 December 2023	31 December 2022
Local trade debts	5.661.979	7.652.943
Foreign trade debts	109.862	608.616
Liabilities for purchases of fixed assets	369.896	(16)

Trade and other liabilities	31 December	31 December
Advances received and other liabilities	3.547	3.547
Lease liabilities	1.389.519	1.100.335
Total	**7.534.803**	**9.365.425**

Trade payables increased compared to the previous year as a result of the increase in the company's activity.

Other current liabilities	31 December 2023	31 December 2022
Wages	496.058	439.735
Contributions and taxes wages	495.457	540.652
VAT	338.543	737.578
Dividends	3.529	1.415
Revenues registered in advance	-	-
Other liabilities	28.495	104
Total	**1.362.081**	**1.719.484**

The terms and conditions of the financial debts mentioned above:
Commercial debts do not bear interest and are usually settled within 30 - 90 days.
For explanations of the Company's liquidity risk management processes, see the information below.

18. RELATED PARTIES

18.1 Nature of transactions with affiliated entities and other related parties

An entity is affiliated to another entity if:

a) directly or indirectly, through one or more entities:

- controls or is controlled by the other entity or is under the common control of the other entity (this includes parent companies, subsidiaries or member subsidiaries);
- has an interest in the said entity, which gives him significant influence over it; or
- has joint control over the other entity;

b) represents an associated entity of the other entity;
c) represents a joint venture in which the other entity is associated;
d) represents a member of the key management staff of the unit or its parent company;
e) represents a close member of the family of the person mentioned in letter a) or d);
f) represents an entity that is controlled, jointly controlled or significantly influenced or for which the significant voting power in such an entity is given, directly or indirectly, by any person mentioned in letter d) or e); or
g) the entity represents a post-employment benefit plan for the benefit of the employees of the other entity or for the employees of any entity related to such company.

- **Details about other affiliated parties in 2023 and 2022:**

Company name	Nature of relationship	Transation type	Country	Headquarters
Safetech Intelligence SRL	Affiliated company	Commercial transactions	Romania	Bucharest
Betamont Infrastructure G.E.L.E.	Affiliated company	No transactions	Romania	Bucharest
Safetech Innovation Global Services Limited	Affiliated company	Commercial transactions	London	United Kingdom

18.2 Amounts due and receivable from affiliated entities and other related parties

Receivables and debts from/to affiliated entities / other related parties:

	Amount at 31 December 2023	**Amount at 31 December 2022**
Creanțe Safetech Intelligence S.R.L	-	393.043
Creanțe Safetech Innovation Global Services Limited	-	-

Compensation granted to the Company's key management personnel

Administrators, directors and the supervisory committee

The Company paid the following amounts to administrators, directors which include allowances, dividends and taxes:

	Year end 31 December 2023	**Year end 31 December 2022**
Costs	1.184.014	1.906.419
Total	**1.184.014**	**1.906.419**

On December 31, 2023, the Company had a remunerated Board of Directors, the President of the Board of Directors being part of the executive management.

On December 31, 2023, the Company had no obligation regarding the payment of pensions to former associates or members of the executive management.

At the end of the financial year, there were no guarantees or future obligations assumed by the Company on behalf of the administrators or directors.

In 2022, the company approved the implementation of a stock option plan to reward and motivate the Company's key personnel by granting free shares in the future. Among the people included in the key personnel who will benefit from this plan are also the members of the board of directors.

19. COMMITMENTS AND CONTINGENCIES

Commitments from financing contracts:

In 2020, the Company concluded a financing contract through the competitiveness operational program with the title: "Centre of excellence for cyber security and resilience of critical infrastructures" (SafePIC) SMIS Code 2014+:120436, Call Code: POC/222/1/ 3/ Stimulating the demand of enterprises for innovation through CDI projects carried out by enterprises individually or in partnership with CD institutes and universities, in order to innovate processes and products in economic sectors with growth potential (MDR).

In order to advance the sustainability of the "Centre of excellence for cyber security and resilience of critical infrastructures (SafePIC)" project, the management of the company committed to consider the following measures:

- Looking at supporting ROI, Safetech Innovations has obtained expressions of interest / pre-orders from interested companies, confirming market interest in the product.
- In preparing the financial forecasts, the principle of prudence was especially taken into account - revenues being estimated in a slightly pessimistic manner;
- The financial sustainability of the project presupposes its ability to support itself from this point of view (in the worst case assuming the relationship income = expenses). The way in which the activity after the termination of the non-reimbursable financing is conceived and thought also takes into account the obtaining of profit (Revenue-Profit = Expenses). Thus, possible slightly erroneous estimates such as oversized revenues or undersized expenses would not make the company's activity unsustainable, diminishing the estimated profit to begin with.

The company has demonstrated that the enterprise has the ability to generate income from the capitalization of the project results, as well as the ability to cover the operating and maintenance costs after the end of the non-refundable financing, resulting from the commercialization of the products/services/technology obtained from the project, at least during the sustainability period of the 36-month project.

Over the entire analyzed time horizon, the cash flow is positive.

The applicant's ability to support itself financially in the period after implementation is also supported by the financial results that the company has had from a financial point of view since the beginning of its establishment, results obtained through effective financial management. Thus, the company's turnover over the period 2011-2014 evolved from 1,288,644 lei to 9,115,976 lei, maintaining an upward trend throughout the period.

Considering the overall evolution of the company, the risk that the company will not be able to meet its objectives regarding the expected return on investment is low. From the point of view of technical sustainability, the main objective is to keep the innovative cyber security solution in optimal functional conditions.

The main measures (without being the only ones taken) undertaken by the company's management in this regard are the following:

- Keeping all staff in the operating team, staff selected on the basis of competence and skills criteria, details given in chapter C of the business plan; for a good performance of the operation stage, the ideal way of working is for the personnel who were involved in the implementation stage to ensure the continuity of the activity during the sustainability period.

- 4 new jobs for qualified personnel in the field of cyber security, covering any current gap in the company in terms of technical requirements;
- The training of the personnel who will subsequently ensure the maintenance of the product developed through the project, as well as the training of trainers who will ensure the training of the personnel to whom the product is directly addressed;
- Ensuring continuous training for all members of the operating team;
- Developing a manual with procedures for using the developed product;
- Carrying out the technical audit is an additional measure to ensure sustainability from a technical point of view. Considering the measures taken, it can be stated that the sustainability of the results of the project proposed for financing will be supported both administratively, technically and financially. In addition, the existence of pre-orders and letters of interest confirm the market validation of the product developed by the project.

According to both financing contracts, the Company has the obligation to submit annual Sustainability Reports, after submitting the financial statements to ANAF, for the entire duration of the project, starting with the first calendar year following the year in which the implementation was completed.

Sustainability reports shall contain at least the following types of data and information regarding:
a. changes to the beneficiary's status and identification data;
b. how and where infrastructures, equipment and assets are used;
c. how infrastructure investment or productive investment continues to generate results.

According to the financing agreements, in the case of projects that include productive or infrastructure investments and that are not co-financed from the ESF, the sustainability period of the project is a minimum of 3 years for the beneficiaries in the SME category, respectively a minimum of 5 years for the other categories of beneficiaries upon making the final payment under this contract or the period provided for in the state aid regulations, whichever is greater.
If the project includes investments in infrastructure or production, the beneficiary (unless the beneficiary is an SME) has the obligation not to relocate the production activity outside the European Union, within 10 years of making the final payment. If the contribution from the ESI funds takes the form of state aid, the 10-year period is replaced by the deadline applicable according to the rules on state aid.

The sustainability analysis of the project is carried out by the OIC based on the Sustainability Reports prepared by the beneficiary and the monitoring visits, in order to ensure the sustainability of the projects, as well as the fact that all contributions from the funds are attributed only to projects that, within 3/5 years after their conclusion, were not affected by any change in the category of those stated below, respectively:

i. a substantial change affecting their nature, objectives or conditions of achievement and which would cause their original objectives to be undermined;
ii. a change in the ownership of an infrastructure element that gives an unjustified advantage to an enterprise or a public body;
iii. termination or relocation of a productive activity outside the eligible area

Other commitments and contingencies:

Tax - All sums owed to the State for fees and taxes have been paid or recorded at the balance sheet date.

The company considers that it has paid on time and in full all the fees, taxes, penalties and penalty interest, to the extent that it is the case.

The Romanian tax authorities did not carry out checks.

In Romania, the fiscal year remains open for checks for a period of 5 years.

Transfer price - In accordance with the relevant tax legislation, the tax assessment of a transaction made with related parties is based on the concept of the market price related to that transaction. Based on this concept, transfer prices must be adjusted to reflect market prices that would have been established between entities that do not have an affiliation relationship and that act independently, based on "normal market conditions".

During the reporting period, there were no transactions with related parties and there is a transfer price risk.

The Board of Directors reviews and agrees to the management policies for each of these risks which are briefly presented below.

Business plan risk – Safetech operates in what can still be considered a niche market, especially in Romania. The company aims for sustainable growth, based primarily on legislative changes at the level of the European Union, which will require companies in important sectors of activity, such as energy, utilities, critical infrastructure or in the financial-banking sector, to implement strict security measures cybernetics. However, in the past, the entry into force of such laws has been delayed in Romania, and management cannot predict or influence such situations in the future, which may have a direct impact on the realization of forecasts.

Geopolitical Risk – Safetech operates in a globalized market and therefore its business and revenues are interdependent on global macroeconomic conditions. International efforts to contain the spread of COVID-19 have had a significant negative effect on global macroeconomic conditions, which continue to cause economic uncertainty. In addition, the military conflict generated by the Russian Federation in Ukraine, instability in global credit markets, rising prices of essential commodities (oil, electricity, etc.), changes in public policies, such as domestic and international, such as regulations , international taxes or trade agreements, international trade disputes, changes in governments, geopolitical turmoil and other disruptions to global and regional economies and markets continue to add uncertainty to global economic conditions. The management estimates that currently the war does not have an impact on the financial situation. The long-term impact cannot be predicted, however, as of the date of these financial statements, the Company continues to fulfill its obligations as they fall due and, therefore, continues to apply the basis of preparation for the continuity of the activity.

Key personnel risk – the success and ability to deliver projects to clients is highly dependent on staff skills, motivation and loyalty. The Romanian IT market is very competitive and there are risks that employees may leave the company. To manage these risks, Safetech has adapted a number of measures: offering a competitive compensation package and promotion opportunities, constant recruitment even when there are no ongoing projects just to be able to always meet the growing demand from customers. In addition, the company actively recruits early-career IT specialists, offering them training and development opportunities. Due to this aspect, the share of salaries in the general costs of doing business is the most significant, but this helps the company to maintain its competitiveness. However, it is not guaranteed that Safetech will always be able to find the necessary number of qualified personnel, especially in the field of ethical hacking, which is highly specific and requires very specific skills.

The risk associated with making forecasts – financial forecasts start from the premise of fulfilling the business development plan. The company aims to periodically issue forecasts regarding the evolution of the main economic-financial indicators in order to provide potential investors and the capital market with a true and complete picture of the current situation and the future plans envisaged by the company, as well as current reports detailing the comparative elements between the forecasted data and the actual results obtained. The forecasts will be part of the annual reports, and the forecasting policy is published on the company's website HERE. Forecasts are made in a prudent manner, but there is a risk of their non-fulfilment, therefore, the data to be reported by the company may be significantly different from those forecasted or estimated, as a result of factors that were not previously foreseen or whose negative impact could not be counteracted or anticipated.

Price risk - in 2016, in order to reduce price risk, the management decided to change the business strategy and focus on value-added services to the detriment of the sale of hardware, which in previous years contributed a significant share of revenues, but instead had a small profit margin. Thus, since 2017, the company has adjusted its model, focusing on the delivery of value-added services and increasing profitability. Given the nature of Safetech's business, the risk of commoditization of the business, i.e. the risk of the service or technology becoming very widespread and widely adopted, is reduced because the company relies heavily on the skills of its team of ethical hackers. Since the cost of hiring qualified IT professionals is very high not only in Romania, but also in the whole world, the risk that a competitor could force the company to lower the price of services in order to maintain its position in the market is relatively low. However, the management actively monitors the local and international markets to be able to always provide value-added services and maintain a leading position in the local market.

Cash-flow risk – this represents the risk that the company will not be able to honor its payment obligations when due. A prudent cash-flow risk management policy involves maintaining a sufficient level of cash, cash equivalents and financial availability through appropriately contracted credit facilities. The Company monitors the level of forecasted cash inflows from the collection of trade receivables, as well as the level of forecasted cash outflows for the payment of trade and other payables. Thanks to this business model, which includes providing monitoring services for a fixed monthly fee, the company manages to maintain a healthy cash flow.

Credit risk – this is the risk that a third party natural or legal entity will not fulfill its obligations under a financial instrument or under a customer contract, thus leading to a financial loss. The Company is exposed to credit risk from its operating activities and its financial activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Company manages this risk by carefully selecting customers and having a strict procedure for documenting orders and the provision of services or delivery of goods.

Liquidity risk – liquidity risk is associated with holding immovable or financial assets. The company's activity does not depend on holding immovable or financial assets and turning them into liquid assets. The company does not own any financial assets. The fixed assets of the company, mainly technological equipment, are used in the current activity of providing services.

Currency risk – the possibility of recording losses from international commercial contracts or other economic relationships, due to changes in the exchange rate of the currency in the period between the conclusion of the contract and its maturity. As the company plans to expand into other international markets, from Europe or the US, it will be exposed to this type of risk.

Personal data protection risk – in the course of its business, the company collects, stores and uses data that is protected by personal data protection laws. Although the issuer takes precautionary measures to protect customer data, in accordance with the legal requirements regarding the protection of privacy, especially in the context of the implementation of the General Data Protection Regulation (EU) 2016/79 and in Romania (starting from May 25, 2018) , data leakage risks cannot be completely eliminated. The Company considers this risk and takes precautions to protect customer data in accordance with applicable legal requirements. The Issuer takes all necessary precautions in this area, but there is a possibility that, considering that it carries out commercial relations with various contractual partners, they may not fully comply with the relevant contractual terms and all the data protection obligations imposed on them.

Competition risk - the entry of new competitors into the market, especially from outside Romania, will intensify competition and put pressure on the company's activity, with the risk of recording a decrease in profit and even its insolvency.

The risk of loss of reputation - is a risk inherent in the company's activity, reputation being particularly important in the business environment, especially in its field of activity, cyber security. Reputational risk is inherent in Safetech's business. The ability to retain and attract new customers also depends on the recognition of the Safetech brand and its reputation for service quality in the market. A negative public opinion of the company could result from actual or perceived practices in the cybersecurity market in general, such as negligence during the provision of services or even the way Safetech conducts or is perceived to conduct its business.

General economic risks - the issuer's activities are sensitive to economic cycles and general economic conditions. Both international financial crises and the unstable economic environment can have significant negative effects on the activity, operational results and financial position of the issuer. Socio-political turmoil can also impact the company's business. The international financial markets felt the effects of the global financial crisis that started in 2008. These effects were also felt on the Romanian financial market in the form of the low liquidity of the capital market, as well as through an increase in medium-term financing interest rates, because of the global liquidity crisis. In the future, such a scenario could be repeated and possible significant losses suffered by the international financial market, with major implications on the local market, could affect the Issuer's ability to obtain new loans or financing, under sustainable conditions.

Pandemic risk - although ignored in the last decades, this risk (especially the risk of global epidemics, respectively the risk of pandemics) has returned to the public's attention. Although for some companies these may become opportunities, at least in the short term, the overall economic impact is considered to be negative. Thus, there are opinions that, depending on the nature and severity of the pandemic, it can induce recessions lasting a quarter, or even several years. In conditions where the reactions of the public authorities and/or the medical community would not be the right ones, there is even a risk of a depression that would lead to important reductions in economic activity and in the price of most assets. For example, in the first months of 2020, a coronavirus pandemic (SARS-COV-2), known as COVID-19, emerged. This pandemic has resulted in declines of more than 25% from their most recent highs for major stock indices globally. This has similarly influenced the local capital market. Moreover, internationally, most major asset classes have been severely negatively impacted, even those that traditionally function as havens for investors.

Fiscal and legal risk - the issuer is governed by Romanian legislation and even if Romanian legislation has been largely harmonized with European Union legislation, subsequent changes may occur, respectively new laws and regulations may be introduced, which may produce effects on the company's activity . Legislation in Romania is often unclear, subject to different interpretations and implementations and frequent changes. Both the modification of fiscal and legal legislation, as well as possible events generated by their application, can materialize in possible fines or lawsuits filed against the company, which can impact the activity of the issuer.

The risk associated with other types of litigation - in the context of the performance of its activity, the issuer is subject to a risk of litigation, among others, as a result of changes and development of legislation. The issuer may be affected by other contractual claims, complaints and litigation, including from counterparties with whom it has contractual relationships, customers, competitors or regulatory authorities, as well as any adverse publicity that such an event attracts. At the time of writing this report, Safetech Innovations S.A. was not involved in any litigation in an active or passive procedural capacity.

Risk of garnishment of the issuer's accounts - garnishment is an enforcement measure that can be applied to a company. Thus, the issuer's accounts may be blocked as a result of the seizure, if the issuer's creditors request this measure to recover their claims. The garnishment of the Company's accounts entails the blocking of the amounts in the garnished accounts and may lead to the difficulty or impossibility of the Company to honor its subsequent obligations, in the agreed terms.

Risk associated with insolvency and bankruptcy - Romanian bankruptcy and enforcement legislation does not offer the same level of rights, remedies and projections enjoyed by creditors under the legal regimes of other European Union jurisdictions. In particular, Romanian bankruptcy and enforcement law and practice may make the company's recovery of amounts related to secured and unsecured claims in Romanian courts much more difficult and time-consuming compared to other countries.

Risks related to investments in Romania, in an economic and political context - Romania's economy is vulnerable in conditions of regional or international recession, financial and economic problems at a general level can be felt more acutely in certain markets or 28 sectors. Also, political and social changes can be an unpredictable factor. Romania does not possess all the business, legal and regulatory infrastructure that would exist in a developed economy. The legislation is subject to varying interpretations and is frequently amended.

Other risks - potential investors should consider that the risks presented above are the most significant risks of which the company is aware at the time of writing this report. However, the risks presented in this section do not necessarily include all those risks associated with the activity of the issuer, and the company cannot guarantee that it includes all relevant risks.
There may be other risk factors and uncertainties of which the company is not aware at the time of writing the report and which may change the actual results, financial conditions, performance and achievements of the issuer in the future and may lead to a decrease in the price of the company's shares. Investors should also undertake the necessary due diligence in order to make their own assessment of the investment opportunity.

Impact on the environment The professional activity of Safetech Innovations has no impact on the environment. There is no litigation and no litigation is expected to arise related to environmental protection.
The company is exposed to credit risk, liquidity risk and market risk (mainly currency risk). The Company's management oversees the management of these risks. All activities related to derivative financial instruments aimed at managing risks are carried out by teams of specialists who have the appropriate skills, experience and supervision. It is the Company's policy not to carry out transactions with derivative financial instruments for speculative purposes.

Currency risk - Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in exchange rates. The Company's exposure to the risk of changes in the exchange rate mainly refers to the Company's operating activities (when revenues or expenses are denominated in a currency other than the Company's functional currency).

The company has transactions in currencies other than its functional currency (RON).

The exposure to exchange rate risk (mainly due to the EUR and USD currencies) is not significant, so the Company does not use risk hedging instruments.

The detail of financial instruments in foreign currencies is presented as follows (the amounts are expressed in RON equivalent):

31 December 2023	**Total**
Trade receivables	6.835.483
Cash and cash equivalents	3.485.989
Total assets (1)	**10.321.472**
Liabilities	6.145.283
Short terms loans	-
Lease Liabilities	307.068
Other current liabilities	1.362.081
Total debts (2)	**7,814,432**
Difference (1) - (2)	**2.507.040**

31 December 2022	**Total**
Trade receivables	**7.241.506**
Cash and cash equivalents	**3.545.474**
Total assets (1)	**10.786.981**
Liabilities	**8.261.543**
Short terms loans	**-**
Lease Liabilities	**280.835**
Other current liabilities	**1.719.484**
Total liabilities (2)	**10.261.862**
Difference (1) - (2)	**525.119**

The sensitivity of the currency risk

The sensitivity to a reasonable possible change in the exchange rate of the US dollar and EUR (of 10%), all other variables being kept constant, of the Company's profit before taxation (due to changes in the value of monetary assets and liabilities) is considered by the Company to have in insignificant impact. The Company's exposure to currency changes in any other currencies is not significant.

Credit risk

Credit risk is the risk that a counterparty will not fulfill its obligations under a financial instrument or under a customer contract, thus leading to a financial loss. The company is exposed to credit risk from its operating activities (mainly for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

The credit risk of customers is managed by the Company, subject to the established policy; however, the Company considers that the credit risk on the receivables is small. The receivables balance is monitored at the end of each reporting period and any major delivery to a customer is analysed. Impairment indicators are analyzed at each reporting date.
The company assesses the risk concentration regarding trade receivables as low.

Financial instruments and cash deposits

The credit risk resulting from balances at banks and financial institutions is managed by the Company's treasury department, according to the Company's policies. The Company's maximum exposure to credit risk for the components of the financial position statement is represented by the accounting values illustrated in Note 12.

Liquidity risk

The company monitors its risk of facing a shortage of funds using a recurring liquidity planning tool.

On December 31, 2023, the Company has no long-term financing (neither from commercial partners, nor debts to financial institutions).

The table below details the maturity profile of the Company's trade receivables and financial liabilities:

On December 31, 2023	<30 days	30 – 60 days	60 - 120 days	>120 days	Total
Trade and other receivables	5.945.065	610.810	0	279.608	**6.835.483**
Cash and cash equivalents	3.485.989	0	0	0	**3.485.989**
Total Assets	**9.431.054**	**610.810**	**0**	**279.608**	**10.321.472**
Trade payables	5.439.720	424.244	190.880	90.440	**6.145.283**
Financial debts	1.362.081	0	0	0	**1.362.081**
Lease liabilities	24.167	24.222	48.608	210.072	**307.068**
Total liabilities	**6.825.968**	**448.465**	**239.488**	**300.512**	**7.814.432**

20. SUBSEQUENT EVENTS

On February 13, 2024, the Company signed a significant contract whose value exceeds 10% of the total revenues related to the last annual financial statements, with the object of providing software products to ensure application-level protection mechanisms and the purchase of access services to Threat Intelligence sources, for infrastructure security, software solution with centralized management for application level protection. The contract has a total value of 3,563,280 lei (without VAT) and was concluded for a period of 30 days from the date of conclusion of the contract.

On March 11, 2024, Safetech Innovations announced the establishment of a subsidiary in the Kingdom of Saudi Arabia based in Riyadh. The company owns 100% of the share capital of the established subsidiary, and the new entity will be managed by Mr. Victor Gânsac.

21. EXPENSES WITH AUDIT FEES

In 2023, the auditor of the company was Baker Tilly Klitou and Partners SRL according to contract no. 311/20.04.2022.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAFETECH INNOVATIONS S.A.

Report on the Consolidated Financial Statements

Audit Opinion

[1] We have audited the consolidated financial statements of **SAFETECH INNOVATIONS S.A.** (the „Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of comprehensive income, consolidate statement of changes in equity and consolidate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

[2] In our opinion, the accompanying consolidated financial statements give fair view in all material respects of the consolidated financial position of the **Group** as of December 31, 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by the European Union and with the accounting policies described in the notes to the financial statements.

Basis for Opinion

[3] We conducted our audit in accordance with International Standards on Auditing ("ISA"), EU Regulation No. 537 of the European Parliament and of the Council (hereinafter "Regulation") and Law No. 162/2017 ("Law"). Our responsibilities under these standards are described in detail in the section "Auditor's responsibilities in an audit of the consolidated financial statements" of our report. We are independent from the Group, in accordance with the Rules of the International Ethics Standards Board for Accountants (IESBA), in accordance with the ethical requirements that are relevant to the audit of financial statements in Romania, including the Rules and the Law, and have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

[4] Key audit matters are those issues that, according to our professional reasoning, had the greatest significance in the consolidated financial statements audit for the current year. These issues were addressed in the context of our audit of the consolidated and consolidated financial statements considered as a whole and to form an opinion on them therefore we do not issue a separate opinion on these issues.

Key audit matters	How we addressed the matter
Capitalization of development costs relating to internally generated software and impairment assessment of internally generated software As presented in Note 10 "Intangible Assets", during the current year, the Group capitalized development costs of RON 14.2 million relating to software, on the basis that these costs to be clearly associated with identifiable products which will be controlled by the Group and have a profitable benefit exceeding the cost beyond one year. In capitalizing these development costs, management considered that the criteria in IAS 38, Intangible Assets (IAS 38) are met and development expenditures that does not meet the above criteria are recognized as an expense in consolidated profit or loss as these are incurred. The Group's policy is to perform an annual impairment assessment based on the amount of revenue generated by the respective software item, either direct or indirect, expecting that this revenue should not be 20% of capitalized costs (annual depreciation rate). Alternatively, second option is using a discounted cash flow forecast on all software, regardless of whether an indication of impairment exists. Key assumptions applied by management in the cash flow forecast included the following: • the estimated revenues to be earned from the use of the assets and the period over which those revenues are projected; • the discount rate; and • risk adjustment factors used in deriving an appropriate discount rate applied to future estimated cash flows. We considered the capitalization of development costs relating to software and the impairment assessment of the software to be a matter of most significance to the current year audit due to the following: • Significant judgment that was applied by management in assessing whether direct development costs such as employee expenses and contractor costs of the system development team met the recognition criteria in IAS 38 for capitalization as an asset; and	We performed the following audit procedures over the capitalization of development costs relating to software: • Through discussion with management, we obtained an understanding of the methodology applied by management in the capitalization of development costs relating to software; • We assessed the development costs capitalized during the year, as well as the Group's accounting policy for capitalization of development costs relating to software, against the requirements of IAS 38. We noted no exceptions; • By considering the nature of each activity performed by a software developer against the requirements for recognition as 'development' in terms of IAS 38, we assessed the appropriateness of management's rationale for the activities considered to be 'development'. We did not note any matter requiring further consideration; • On a sample basis, we performed an independent verification of the professional qualifications of employees whose time had been capitalized during the year as development costs in terms of IAS 38, to assess whether those employees had the appropriate professional skills and competencies to develop software. We did not note any matter requiring further consideration; • Through enquiry of management, we obtained an understanding of management's governance processes relating to the recording of time-based expenditure for capitalized development costs; and • For a sample of employees, we tested the accuracy of the value of employee costs used in the capitalization rate per hour with reference to their respective signed employment contracts and increase letters. We did not note any aspect requiring further consideration. We performed the following audit procedures over management's impairment assessment: • We have obtained a breakdown of revenues generated either direct or indirect by the completed software items and compared them with the 20% annual depreciation ratio; in all cases, cash generated exceed this ratio;

• The magnitude of capitalised development costs during the current year.	• We held discussions with management and obtained an understanding of management's budgeting process, including the process of approval by the directors in determining the future cash flows; • We compared the projected cash flows, including the assumptions relating to revenue growth rates, against historical actual growth rates and actual performance, to assess the reasonability of management's budgeting process and projections. We noted no matters requiring further consideration; • We agreed the inputs used in the projected cash flows of revenues to be earned from the use of the software to the latest budgets approved by the directors. We did not identified any matter that would require further considerations; • We assessed the reasonability of the cashflow forecast, taking into account renewable revenue contracts and management's estimation of the timeframe for the renewal of such contracts. We did not note any aspect requiring further analysis. We did not identified any matter that would require further considerations; • Based on our assessment, we accepted management's conclusion that no impairment adjustments to internally generated software were necessary.

Other information - Administrator's Report

[5] The administrators are responsible for preparation and presentation of the other information. The other information comprises the Administrator's report and the Remuneration Report, but does not include the consolidated financial statements and our auditor's report thereon.
Our opinion on the consolidated financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements for the year ended December 31, 2023, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrator's report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20.

With respect to the Remuneration report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, articles. no. 106 – 107.

On the sole basis of the procedures performed within the audit of the consolidated financial statements, in our opinion:

a) the information included in the administrators' report for the financial year for which the consolidated financial statements have been prepared is consistent, in all material respects, with these consolidated financial statements;
b) the administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU;
c) the Remuneration report has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, articles. no. 106 – 107.
d) Moreover, based on our knowledge and understanding concerning the Group and its environment gained during the audit on the consolidated financial statements prepared as at December 31, 2023, we are required to report if we have identified a material misstatement of this Administrator's report and Remuneration Report. We have nothing to report in this regard.

Management's responsibility for consolidated financial statements

[6] The Group's management is responsible for the preparation of these consolidated financial statements in order to present fairly, in all material respects, the financial position of the Group in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

[7] In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, for disclosing, where appropriate, going concern matters and for using going concern basis of accounting, unless management either intends to liquidate the Group or cease operations or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities in an audit of consolidated financial statements

[8] Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement, if one exists. Misstatements may be caused either by fraud or error and are considered material if they could reasonably be expected to affect, consolidatedly or in aggregate, the economic decisions of users made on the basis of these consolidated financial statements.

[9] As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- We identify and assess the risks of material misstatement of consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks and obtain sufficient appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting a material misstatement due to error because fraud may involve secret understandings, misrepresentation, intentional omissions, misstatements and override of internal control.

- We understand internal control to be relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of going concern accounting and determine, based on audit evidence obtained, whether there is a material uncertainty about events or conditions that may cast significant doubt about the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if those disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease to operate on a going concern basis.
- We assess the overall presentation, structure and content of the consolidated financial statements, including disclosures, and the extent to which the consolidated financial statements reflect the underlying transactions and events in a manner that provides a fair presentation.

[10] We communicate to those charged with governance, among other matters, the planned scope and timing of the audit, as well as key audit findings, including any significant deficiencies in internal control that we identify during the audit.

[11] We provide as well to those in charge with governance a statement regarding our compliance with the ethical requirements regarding independence and we communicate all the relations and other matters that can be reasonably assessed as potentially impairing our independence and where the case, the risk mitigating actions taken and related precautionary measures.

[12] For all the aspects communicated to those in charge with governance, we conclude which are the most important matters for the audit of consolidated financial statements from the current reporting period and which consequent are key audit matters. We describe those matters in the auditor's report, except for the case in which the public disclosure of the matter is prohibited by law or, in extremely rare circumstances, we conclude that such matter should not be communicated in our report as it is reasonably presumed that the benefits for public interest re exceed by the negative consequences of such disclosure.

Report on other legal and regulatory requirements

[13] We were appointed by the General Annual Shareholders' meeting held on 14 April 2022to audit the consolidated and separate financial statements of SAFETECH INNOVATIONS SA. The total uninterrupted period of our engagement is one year, covering the financial exercise ended 31 December 2023.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Group's Audit Committee, which we issued on March 12, 2024. Also, in conducting our audit, we maintained our independence from the audited entity.
- We have not provided to the Group the prohibited non-audit services, referred to in Article 5 paragraph (1) of EU Regulation no. 537/2014.

The engagement partner for which this report of independent auditor was prepared is Ruxandra Bilius.

Report on compliance with Law Nr. 162/2017 regarding the statutory audit of annual financial statements and consolidated annual financial statements and of the amendments of some legal regulations ("Law 162/2017") and by Delegated Regulation (EU) 2018/815 of the Commission ("Regulatory Technical Standard on the Single European Electronic Reporting Format" or "ESEF")

[14] We performed a reasonable assurance engagement on the compliance with the Law 162/2017 and with Delegated Regulation (EU) 2018/815 of the Commission. Applicable to the consolidated financial statements prepared by the entity SAFETECH INNOVATIONS SA. (the "Company") and of it's subsidiary (the "Group") as they are presented in the digital files that include the unique code LEI 984500ED4GA7884C439 ("the digital files"),

Responsibility of the management of SAFETECH INNVATIONS SA for digital files prepared in accordance with ESEF

[15] The management of the Group is responsible for the preparation of digital files in accordance with the ESEF. This responsibility includes:

- designing, implementing and maintaining relevant internal control for ESEF application;
- selecting and applying the appropriate iXBRL tags;
- ensuring the consistency between the digital files and the consolidated financial statements that will be published in accordance with Order 2844/2016 as amended for the approval of Accounting Regulations in accordance with the International Financial Reporting Standards as adopted by the European Union with subsequent amendments.

Those responsible for governance are responsible for overseeing the preparation of digital files in accordance with the ESEF

Auditor's responsibility regarding the audit of Digital Files

[16] We have the responsibility to express a conclusion on the extent to which the consolidated financial statements included in the annual financial report are in accordance with ESEF, in all material respects, based on the evidence obtained. Our reasonable assurance engagement was performed in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

Our company is applying the International Standard for Quality Management ("ISQM1") and, consequently, maintains an adequate system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal requirements.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the ESEF. The nature, timing and extent of the procedures selected depend on the auditor's judgment, including the assessment of the risk of material deviations from the provisions set out in the ESEF, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of the SAFETECH INNOVATIONS S.A. process of preparing digital files in accordance with ESEF, including relevant internal controls;
- the reconciliation of the digital files that include the tagged data, with the audited consolidated financial statements of the Group that will be published in accordance with Order 2844/2016 with subsequent amendments;

- evaluating whether all the financial statements that are included in the annual financial report are drawn up in a valid XHTML format.
- assessment of whether all iXbrl tagging, including voluntary tagging, are in accordance with ESEF requirements.

We believe that the evidence obtained is sufficient and adequate to provide a basis for our conclusion.

Conclusion

In our opinion, the consolidated financial statements for the financial year ended 31 December 2023 included in the annual financial report, in the digital files are, in all material respects, in accordance with the ESEF Regulation.

In this section we are not expressing an audit opinion, a review conclusion or any other assurance conclusion on the consolidated financial statements. Our audit opinion on the Group's consolidated financial statements for the financial year ended 31 December 2023 is included in the section *"Report on annual consolidated financial statements"* above.

Auditor:

Ruxandra Bilius

RUXANDRA BILIUS
Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. AF1996

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Auditor Financiar: BILIUS RUXANDRA IULIANA
Registrul Public Electronic: AF 1996

In numele Baker Tilly Klitou
BAKER TILLY KLITOU AND PARTNERS S.R.L.
Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. FA384

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Auditor Financiar: BAKER TILLY KLITOU AND PARTNERS S.R.L.
Registrul Public Electronic: FA 384

Bucharest, 18 March 2024

SAFETECH INNOVATIONS S.A.

CONSOLIDATED FINANCIAL STATEMENTS
for year ended 31 December 2023

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS, ADOPTED BY THE EUROPEAN UNION

DATE: 12.03.2024

Contents

as of December 31, 2023 (expressed in RON, unless otherwise specified)

	Nota	2023 RON	2022 RON
Sales of goods		21.335.932	20.067.166
Rendering of services		9.763.856	11.692.678
Rental income		27.127	3.675
Turnover	**5.1**	**31.126.916**	**31.763.519**
Other operating income	6.1	1.629.436	351.374
Changes in inventories of finished goods and work in progress		14.159.375	12.916.742
Raw materials and consumables used	5.2	(7.143.792)	(12.175.951)
Merchandise	5.2	(9.959.197)	(5.814.793)
Employee benefits expenses	6.5	(15.569.939)	(10.797.996)
Depreciation, amortisation and Gw impairment	9	(2.424.900)	(3.176.371)
Marketing and advertising expenses		(242.788)	(7.178)
Rental expenses		(451.523)	(179.361)
Provisions		(121.322)	(70.672)
Other expenses	6.2	(5.699.790)	(5.298.754)
Operating profit		**5.302.476**	**7.510.559**
Financial Income	6.4	170.105	160.527
Financial Expenses	6.3	(364.853)	(245.834)
Profit/(Loss) before tax		**5.107.728**	**7.425.252**
Income Tax	7	(1.277.153)	(1.396.096)
Profit/(Loss) after tax (A)		**3.830.575**	**6.029.156**
Other comprehensive income		**-**	**-**
Attributable			
To the equity holders of the parent company		5.780.173	7.417.351
Interests that do not control		(1.949.599)	(1.388.195)
Numbers of share		66.500.000	66.500.000
Basic and net diluted result per share		0,058	0,090

SAFETECH INNOVATIONS S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION as of December 31, 2023 (expressed in RON, unless otherwise specified)

	Note	31 december 2023	31 december 2022
Non - current assets			
Property, plant and equipment	9	647.803	604.927
Right of use assets	9	1.253.788	1.170.795
Intangible assets	10	40.639.667	26.931.201
Other non - current assets		271.733	584.146
Deferred tax assets		62.792	41.802
Total non-current assets		**42.875.783**	**29.332.870**
Current assets			
Inventories	11	400.699	94.563
Trade and other receivables	12	7.230.151	12.987.088
Other current financial assets		150.129	-
Cash and cash equivalents	13	4.492.337	6.384.367
Total currect assets		**12.273.316**	**19.466.018**
Total assets		**55.149.100**	**48.798.888**
Equity and liabilities			
Issued share Capital		13.300.000	13.300.000
Own actions		-	(1.153.990)
Share premium at nominal value		2.865.991	2.865.991
Legal and other reserves		1.670.846	1.120.066
Retained earnings / (Accumulated Losses)		9.768.321	7.242.800
Other components of equity		-	147.747
Translation differences		(139.921)	(147.581)
Minority interest		(2.714.770)	(399.058)
Total equity	14	**24.750.467**	**22.975.975**
Other liabilities		-	144.830
Subsidies	10	13.350.207	13.088.294
Long term lease liabitlies		1.082.451	1.100.335
Total Non - Current Liabilities		**14.432.657**	**14.333.459**
Current liabilities			
Trade accounts payable	16	6.183.930	8.875.657
Income taxes payable		324.866	514.600
Short-term borrowings	17	7.302.928	-
Current term lease liability		307.068	280.835
Other current liabilities	16	1.626.983	1.719.484
Short-term provisions		220.200	98.878
Total current liabilities		**15.965.975**	**11.489.454**
Total liabilities		**30.398.633**	**25.822.913**
Total equity and liabilities		**55.149.100**	**48.798.888**

SAFETECH INNOVATIONS S.A.
CONSOLIDATED STATEMENT OF EQUITY as of December 31, 2023 (expressed in RON, unless otherwise specified)

	Share capital	Share premium	Own shares	Other elements of capital	Reserves	Retained earnings	Translation differences	Total equity attributable to shareholders	Minority interests	Total
Sold inițial 1 ianuarie 2022	**5.928.231**	**2.375.000**	**-**	**-**	**524.783**	**5.552.034**	**-**	**14.380.048**	**-**	**14.380.048**
Net profit for the year	-	-	-	-	-	6.442.422	-	**6.442.422**	(413.267)	**6.029.155**
Translation differences	-	-	-	-	-	-	(147.581)	**(147.581)**	14.205	**(133.377)**
Increase in share capital	7.371.769	-	-	-	-	-	-	**7.371.769**	4	**7.371.773**
Establishment of legal reserve (Note 14)	-	-	- -	- -	595.283	(595.283)	- -	**-** **-**	- -	**-**
Capital increase	-	490.991	-	-	-	-	-	**490.991**	-	**490.991**
The increase from the purchase of own shares			(1.153.990)	147.747	-	-	-	**(1.006.243)**	-	**(1.006.243)**
Allication to dividens				-	-	(4.156.372)	-	**(4.156.372)**	-	**(4.156.372)**
Depreciation reserve from revaluation	-	-		-	-	-	-	**-**	-	**-**
Deferred tax reserve revaluation	-	-		-	-	-	-	**-**	-	**-**
Balance as of Dec 31, 2022	**13.300.000**	**2.865.991**	**(1.153.990)**	**147.747**	**1.120.066**	**7.242.800**	**(147.581)**	**23.375.032**	**(399.058)**	**22.975.975**

SAFETECH INNOVATIONS S.A.
CONSOLIDATED STATEMENT OF EQUITY as of December 31, 2023 (expressed in RON, unless otherwise specified)

	Share capital	Share premium	Own shares	Other elements of capital	Reserves	Retained earning	Translation differences	Total equity attributable to shareholders	Miniroty interest	Total
Balance as of Jan 1 2023	**13.300.000**	**2.865.991**	**(1.153.990)**	**147.747**	**1.120.066**	**7.242.800**	**(147.581)**	**23.375.033**	**(399.058)**	**22.975.975**
Net profit of the year	-	-	-	-	-	6.105.780	-	6.136.667	(2.306.092)	**3.830.575**
Translation differences	-	-	-	-	-	57.925	7.660	65.585	(9.620)	55.965
Other elements of the overall result	-	-	-	(147.747)	-	-	-	(147.747)	-	(147.747)
Increase in share capital	-	-	-	-	-	-	-	-	-	-
Establishment of legal reserve	-	-	-	-	550.780	(550.780)	-	-	-	-
Increase in emission premiums	-	-	-	-	-	-	-	-	-	-
Shares granted	-	-	1.153.990			(1.136.302)		17.689		17.689
The increase from the purchase of own shares	-	-	-	-	-	-	-	-	-	-
Distribution of dividends	-	-	-	-	-	(1.981.989)	-	(1.981.989)	-	(1.981.989)
Depreciation reserve from revaluation	-	-	-	-	-	-	-	-	-	-
Deferred tax reserve revaluation	-	-	-	-	-	-	-	-	-	-
Balance as of Dec 31, 2023	**13.300.000**	**2.865.991**	**0**	**0**	**1.670.846**	**9.768.321**	**(139.921)**	**27.465.237**	**(2.714.770)**	**24.750.467**

SAFETECH INNOVATIONS S.A.
CONSOLIDATED CASH FLOW as of December 31, 2023 (expressed in RON, unless otherwise specified)„

		December 31, 2023	December 31, 2022
Cash flows from operating activities			
Profit before tax		**5.107.728**	**7.425.252**
Depreciation and amortisation	9	2.217.308	3.027.340
Depreciation related to RUA	9	207.592	149.030
Benefits employes	14	(147.747)	147.747
Revaluation of tangile assets impact			
Receivable allowance movement		(74)	
Movements in provisions		121.322	70.672
(Gain) / loss on sale of property, plant and equipment		(338.402)	
(Gain) / loss on write off receivables and payables			59.901
Translation difference		68.435	-
Interest revenues	6.4	(39.440)	(48.330)
Interest expenses	6.3	103.982	112.601
Operating profit before working capital changes		**7.300.703**	**10.944.214**
Change in inventories	11	(306.136)	(6.588)
Change in trade and other receivable	12	5.648.269	(5.563.505)
Change in trade and other payable	16	(2.763.020)	4.480.658
Change in deferred income tax		(20.990)	(9.265)
Cash generated from/ (used in) operations		**9.858.827**	**9.845.514**
Interest paid		(103.982)	(112.601)
Income tax paid		(1.487.877)	(1.222.191)
Net cash from/ (used in) operating activities		**8.266.968**	**8.510.722**
Cash flows from investing activities			
Proceeds from sale of non-current assets		312.413	(254.630)
Purchases of intangibles		(14.705.242)	(13.364.037)
Purchase of property, plant and equipment	9, 10	(959.545)	(460.508)
Interest received		39.440	48.330
Net cash used in investing activities		**(15.312.934)**	**(14.030.845)**
Cash flows from financing activities			
Increase in share capital		-	7.371.769
Increase in share premium		-	490.991
Redeemed shares		-	(1.153.990)
Subsidies		261.913	4.487.114
Movements in loans and borrowings	17	7.302.928	(995.248)
Dividende plătite	16	(1.979.875)	(4.154.837)
Payments of lease liabilties		(431.030)	(356.062)
Net cash from/ (used in) in financing activities		**5.153.936**	**5.689.736**
Net increase in cash and cash equivalents		**(1.892.030)**	**169.613**
Cash and cash equivalents at 1 January (including Advance for payment of dividends)		**6.384.367**	**6.214.754**
Cash and cash equivalents at 31 December (including Advance for payment of dividends)		**4.492.337**	**6.384.367**

(expressed in RON, unless otherwise specified)

1. GENERAL PRESENTATION OF THE ENTITIES THAT ENTERED THE PERIMETER OF CONSOLIDATION

These consolidated financial statements for the financial year ended on December 31, 2023 are prepared for for SAFETECH INNOVATIONS S.A. and its subsidiaries (collectively, the Group).

CONSOLIDATION TABLE OF THE GROUP

Company	Country	Percentage of control owned	Control type	The consolidation method
SAFETECH INNOVATIONS SA	Romania	THE PARENT COMPANY		
SAFETECH INNOVATIONS GLOBAL SERVICES LIMITED	United Kingdom	67%	Exclusively by law	Global integration

a) Safetech Innovations SA – The parent company

The headquarters of Safetech Innovations S.A. ("The Company”) is located in Frunzei Street, no. 12-14, floor 1 - 2, Sector 2, Bucharest.
The main activity of the Company is the sale of cyber security solutions and services (NACE 6203). Throughout its history, the company has specialized in the integration of complex cyber security projects.

The company was established as a limited liability company (SRL) in 2011. On September 25, 2020, the company was transformed into a joint-stock company (SA), with a share capital of 500,000 lei, divided into 2,500,000 shares with a nominal value of 0.2 lei, owned by two shareholders and co-founders, Victor Gânsac and Paul Rusu, each with 50% of the share capital.

On August 26, 2021, Safetech Innovations received the Cyber Security Auditor accreditation for operators of essential services, based on Law 362/2018 on ensuring a common high level of security of networks and IT systems from the National Center for Response to Incidents of Cyber Security (CERT-RO). CERT-RO is the national competent authority for network and information systems security. Consequently, Safetech Innovations S.A. was registered in the National Register of Cyber Security Auditors, IDASC: QC-2B1721, with a validity period between 26.08.2021 and 25.08.2024.

In January 2022, Safetech Innovations SA successfully completed a capital increase operation, attracting 10,665,990.70 lei.

On February 6, 2023, Safetech Innovations shares, stock symbol SAFE, debuted on the Main Market of the Bucharest Stock Exchange, lei code 984500ED4DGA7884C439.

On February 8, 2023, the Company published the Revenue and Expenditure Budget for the fiscal year 2023. The budget was drawn up by the Company's Board of Directors and was approved in the annual Ordinary General Meeting of Shareholders, which took place on the 24 April 2023.

	31 december 2023	31 december 2022
Number of employees	62	49

(expressed in RON, unless otherwise specified)

Members of the Administrative Council at the end of the 2022 and 2023 exercise are as follows:

The board of administration	
Victor Gansac	Member
Alexandru Mihailciuc	Member
Mircea Varga	Member

b) Safetech Innovations Global Services Limited

The company was founded in 2022. The registered office is in London, Paul Street no. 86-90. Total numbers of employes at the end of 2023: 8.

The main field of activity is the development of business software and other information technology service activities.

c) Safetech Innovations US, INC

In 2023, the company established the entity SAFETECH INNOVATIONS US, INC in the United States of America with a 67% share of the share capital.

d) Safetech Cybersecurity Limited Cyber RiskManagement Services L.L

In 2022, the company established the entity SAFETECH CYBERSECURITY LIMITED CYBER RISK MANAGEMENT SERVICES L.L.C. in the United Arab Emirates, having a 49% stake in the share capital.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Declaration of conformity

The Group has prepared financial statements comprising the consolidated statement of financial position, the consolidated statement of income and expenses and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year ended 31 December 2023 and notes which include a summary of significant accounting policies and other explanatory information.

The Group's consolidated financial statements were prepared in accordance with the provisions of the Order of the Minister of Finance no. 2844/2016 for the approval of accounting regulations in accordance with the International Financial Reporting Standards ("OMFP no. 2844/2016"). According to OMFP no. 2844/2016, the International Financial Reporting Standards are the standards adopted according to the procedures of the European Commission Regulation no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (IFRS).

For the purpose of drawing up these financial statements, in accordance with the legislative provisions in Romania, the functional currency of the Group is considered to be the Romanian Leu (RON).

Fair value is the price that could be received to sell an asset or paid to transfer a liability in the normal course of a transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a another evaluation technique. In estimating the fair value of an asset or liability, the Company considers the characteristics of the asset or liability in the market that participants would consider when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of of IFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of assets.

The main accounting policies adopted are presented below.

2.2 Continuity of business

The present consolidated financial statements were drawn up based on the principle of continuity of activity, which assumes that the Group will continue its activity in the foreseeable future. To assess the applicability of this assumption, management analyzes forecasts of future cash inflows.

The management considers that the Group will be able to continue its activity in the foreseeable future and, therefore, the application of the principle of continuity of activity in the preparation of the financial statements is justified.

2.3 Significant accounting policies

The accounting policies for the preparation of the financial statements were consistently applied by the Group in the years 2022 (the first adoption of IFRS) and 2023.
The Group also adopted the Presentation of Accounting Policies (Amendments to IAS 1 and Statement 2 regarding IFRS practice) starting from January 1, 2023. Although the changes did not result in changes to accounting policies, they affected the information on accounting policies presented in the statements financial. The changes require the presentation of "material" rather than "significant" accounting policies. The amendments also provide guidance on the application of materiality in the presentation of accounting policies, helping entities to provide useful, entity-specific information that users need to understand other information in the financial statements.
Management reviewed the changes regarding the application of materiality to the presentation of significant accounting policies, and the information is consistent with the significant accounting policies from the previous reporting period.
The significant accounting policies applied by the Group in the preparation of its financial statements are described below:

- **The basics of consolidation**

The accounting methods and policies mentioned below have been consistently applied by the Group in these financial statements, prepared in accordance with the International Financial Reporting Standards adopted by the European Union.

- **Subsidiaries**

When evaluating control, potential or convertible voting rights that can be exercised at present must also be taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the moment the exercise of control begins until the moment it ceases.

The Group consolidates the financial statements of its subsidiaries in accordance with IFRS 10. The list of the Group's subsidiaries is presented in Note 1.

Acquisition of entities under common control
A business combination involving entities under the common control of the ultimate shareholder of the Group is a business combination in which all entities are ultimately controlled by the Group, both before and after the combination, and such control is not transitory.

- **Associated entities**

Associated entities are those companies in which the Group can exercise significant influence, but not control over the financial and operational policies. The consolidated financial statements include the group's share of the results of associated entities based on the equity method, from the date on which the group began to exercise significant influence until the date on which this influence ceases.

If the Group's share of the associated entity's losses exceeds the carrying amount of the investment, the carrying amount is reduced to zero and subsequent losses are not recognized unless the Group has legal or constructive obligations on behalf of the associated entity. If the associated entity subsequently makes a profit, the recognition of the share of the profits will be made only after the share of the profit reaches the level of the share of the previously unrecognized losses.

- **Transactions eliminated on consolidation**

Intra-Group settlements and transactions, as well as unrealized profits arising from intra-Group transactions, are fully eliminated in the consolidated financial statements. Unrealized profits resulting from transactions with associated or jointly controlled entities are eliminated to the extent of the Group's participation percentage. Unrealized profits resulting from transactions with an associated entity are eliminated against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no indication of impairment.

- **Currency conversions**

The Group's financial statements are presented in RON, which is also the functional currency.

Foreign currency transactions are converted into RON using the exchange rate valid on the date of the transaction. Monetary assets and liabilities expressed in foreign currency at the end of the period are valued in RON using the exchange rate valid at the end of the financial year. Realized or unrealized gains and losses are recorded in the profit and loss account.

The company Safetech Innovations Global Services Limited prepares its individual financial statements in the national currency - GBP. Thus, for the purpose of consolidation, the statement of the global result was converted into RON using the average rate of the year and the statement of the financial position was converted at the closing rate.

The exchange rate was as follows:

- closing exchange rate

Date	**Euro**	**USD**	**GBP**
December 31, 2022	4.9474	4.6346	5.5878
December 31, 2023	4.9746	4.4958	5.7225

Exchange rate differences, favorable or unfavorable, between the exchange rate from the date of recording the receivables or liabilities in foreign currency or the exchange rate at which they were reported in the previous financial statements and the exchange rate from the date of the end of the financial year, are recorded under financial income or expenses , as the case.

IFRS 15 Revenue from contracts with customers

IFRS 15 Revenue from contracts with customers establishes a five-step model for recognizing and recording revenue resulting from contracts with customers. In accordance with IFRS 15, revenue is recognized in the amount that reflects the consideration to which an entity expects to be entitled in exchange for the transfer of goods or services to the customer.

Sales of goods

In accordance with IFRS 15, revenue is recognized when a customer obtains control of the goods. The griup delivers goods under contractual conditions based on internationally accepted delivery conditions. The moment when the customer obtains control of the assets is considered to be substantially the same for most of the Group's contracts under IFRS 15. The Group believes that revenue should be recognized when control of the asset is transferred to the customer, generally upon delivery of the goods.

Revenue recognition from distinct performance obligations

The Group analyzed its contracts with customers to determine all its performance obligations, and did not identify any new performance obligations that should be accounted for separately in accordance with IFRS 15.

The Group provides monitoring, support and audit services regarding information security as its main activity. Income is valued at the expected value of the consideration received or to be received. In accordance with IFRS 15, the total consideration from service contracts is allocated to all services based on their individual selling prices. Individual sales prices are established based on the list prices at which the Group provides the respective services in separate transactions. Based on the Group's assessment, the value allocated based on the relative individual selling prices of the services and the individual selling prices of the services are largely similar. Therefore, the application of IFRS 15 does not result in significant differences regarding the timing of revenue recognition for these services.

Equipment maintenance - Included in the transaction price for the sale of equipment is an after-sales service.

This service refers to maintenance work that may be required to be performed on the equipment for a period of one to three years after sale. This period can then be extended if the customer requires additional years of maintenance services. Renewal of services after the three-year period will be for the price at which they are sold by the Group to all its customers on the date of renewal, regardless of the existence of a renewal option. Accordingly, the option to extend the renewal period does not provide any benefit to customers when they terminate the initial contract, and therefore no revenue has been deferred related to this renewal option. The maintenance service is considered to be a distinct service because it is regularly provided by the Group to other customers independently and is available to customers from other providers in the market. Therefore, a portion of the transaction price is allocated to maintenance services based on the stand-alone selling price of those services. Revenues related to maintenance services are recognized over time. The transaction price allocated to these services is recognized as a contract liability at the time of the initial sales transaction and is amortized on a straight-line basis over the service period (ie, one to three years when the services are purchased together with the underlying equipment).

The recognition and measurement requirements of IFRS 15 are also applicable to the recognition and measurement of any gains or losses resulting from the disposal of non-financial assets (such as fixed assets and intangible assets), when this disposal is not in the normal course of business. However, upon transition, the effect of these changes is not significant for the Group.

Variable consideration

Some contracts with customers include trade price discounts or the right of return for quality defects. Currently, the revenues obtained from these sales are recognized based on the price specified in the contract, net of revenue reductions, commercial discounts recorded under accrual accounting when a reasonable estimate of revenue adjustments can be made.

According to IFRS 15, it is necessary to estimate the variable consideration at the beginning of the contract. Revenues are recognized to the extent that it is probable that a significant reversal of the value of the cumulative revenues recognized will not occur. Consequently, for those contracts for which the Group is unable to make a reasonable estimate of the discounts, the income is recognized earlier than when the return period passes or when a reasonable estimate can be made. In order to estimate the variable consideration to which it would be entitled, the Group applied the expected value method. At the same time, the cases of quality complaints (rights of return) are isolated and insignificant, based on information from past periods.

Considerations related to the action in one's own name and as an intermediary

In accordance with IFRS 15, the assessment is based on the criterion of whether the Group controls the specific goods before transferring them to the end customer, rather than whether it has exposure to significant risks and rewards associated with the sale of goods.

The Group concluded that it acts in its own name in most of the contractual sales relationships, because it is the main provider in all revenue contracts, it has the right to set the price and it is exposed to the risks related to stocks. In the specific case of those contractual arrangements in which the Group does not control the goods before transferring them to the final customer, it has the capacity of an intermediary.

IFRS 9 Financial instruments

Financial assets

The financial assets of the Group are represented by trade receivables and other receivables, cash and cash equivalents.

Initial recognition: The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the Group's business model regarding their management. With the exception of commercial receivables that do not contain a significant financing component or for which the Group has applied the practical method, the Group initially evaluates a financial asset at its fair value plus transaction costs in the case of a financial asset that is not evaluated at fair value, through profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical cost are valued at the transaction price determined according to IFRS 15.

Subsequent evaluation: The Group measures financial assets at amortized cost if the following conditions are cumulatively met:

i) The financial asset is held within a business model with the objective of holding financial assets to collect contractual cash flows and;
ii) The contractual terms of the financial asset give rise at the specified dates to cash flows that represent exclusively payments of principal and interest from the principal amount in circulation (SPPI).

Financial assets at amortized cost are subsequently valued based on the effective interest method (EIR) and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognised, modified or depreciated.

Derecognition: A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is derecognised when:

i) The rights to receive cash flows arising from the asset have expired;
ii) The Group transferred its rights to receive the cash flows arising from the asset or assumed an obligation to pay the cash flows collected in full, without significant delays, to a third party, based on a commitment with identical flows; and (a) the Group has transferred substantially all the risks and rewards of the asset or (b) the Group has not transferred and retained substantially all the risks and rewards of the asset, but has transferred control over the asset;
iii) The Group has transferred its rights to receive the cash flows from an asset or entered into a commitment with identical flows and has neither transferred nor retained significantly all the risks and rewards related to the asset, but neither has transferred control over the asset, the asset is recognized proportionally to the continuation of the Group's involvement in the respective asset. In this case, the Group also recognizes an associated debt.
iv) The transferred asset and the associated debt are evaluated on a basis that reflects the rights and obligations that the Group has retained. The continuation of the involvement that takes the form of a guarantee regarding the transferred asset is evaluated at the lower value between the initial accounting value of the asset and the maximum value of the consideration that could be imposed on the Group to reimburse it.

Impairment of financial assets: The Group makes estimates for expected credit losses for all financial assets attached to liabilities that are not held at fair value through profit or loss. For trade receivables and contractual assets, the Group applies a simplified approach in calculating expected losses. Therefore, the Group does not track changes in credit risk, but recognizes, instead, expected losses on the expected lifetime loss data at each reporting date. The Group analyzes the receivables individually and takes into account the effect of the financial guarantees received from the insurers in the calculation of expected losses from lending. For more information, see Note 12 – Trade receivables and other receivables.

Financial debts

Initial recognition: Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and credits or derivatives designated as hedging instruments within an effective hedge, as the case may be. The Group determines the classification of its financial liabilities upon initial recognition.

Subsequent evaluation: The Group evaluates financial debts according to their classification, as follows:

i) Loans and credits: interest-bearing loans are subsequently evaluated at amortized cost using the effective interest rate method. Gains and losses are recognized in the profit and loss account when debts are derecognized, as well as during the amortization process at the effective interest rate. The amortized cost is calculated taking into account any discount or purchase premium and any commissions and costs that are an integral part of the effective interest rate. Amortization at the effective interest rate is included in the profit and loss account at financing costs.

ii) Financial guarantee contracts: The Group initially recognizes financial guarantee contracts as a debt at fair value, adjusted to the costs related to the transaction that are directly attributable to the issuance of the guarantee. Subsequently, the debt is valued at the higher value of the best estimate of the expenditure necessary to settle the obligation present at the reporting date and the recognized value minus accumulated depreciation.

Derecognition: The Group derecognizes a financial debt when the obligation related to the debt is extinguished, is canceled or expires. If a financial debt is replaced by another debt from the same creditor under substantially different conditions, or if the terms of an existing debt change substantially, this exchange or change is treated as a derecognition of the original debt and a recognition of new debts. The difference between the related accounting values is recognized in the profit and loss account.

Clearing of financial instruments

Financial assets and financial liabilities are offset and the net value reported in the statement of financial position only if there is currently both a legal right to offset the recognized amounts and an intention to settle on a net basis or to capitalize the assets and settle the debts simultaneously.

Interest income

The interest income generated by a financial asset is recognized when it is probable that the Group will obtain economic benefits and when that income can be reliably measured. Interest income is accumulated over time, by reference to the principal and the applicable effective interest rate, i.e. the rate that exactly updates the estimated future cash receipts over the anticipated period of the financial asset to the net book value of the asset at the date of initial recognition. Interest income is included in the profit and loss account under financial income.

Tax

Current profit tax

Current income tax receivables and payables for the current period are valued at the amount expected to be recovered from or paid to the tax authorities. The tax rates and fiscal laws used to calculate the amounts are those adopted or to a large extent adopted at the reporting date by Romanian legislation.

The current profit tax related to the elements recognized directly in equity is recognized directly in equity, not in the profit and loss account. The management periodically evaluates the positions presented in the fiscal declarations regarding the situations in which the applicable tax regulations are subject to interpretation and constitute provisions if necessary.

The profit tax is calculated and paid according to the legislation in force by each Company within the Group.

The tax rates related to the countries of which the companies in the group are a part are:

Country	**Tax rate**
Romania	16%
United Kingdom	25%

Deferred tax

Deferred tax is presented applying the variable ratio method regarding the temporary differences between the tax bases of assets and liabilities and their accounting value for the purpose of financial reporting at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, unless:

i) The deferred tax liability arises from the initial recognition of goodwill or a net asset or liability in a transaction that is not a business combination and, at the date of the transaction, affects neither accounting profit nor taxable profit or loss ;

ii) Deferred tax assets are recognized for all deductible temporary differences, unused tax credit carryforwards and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and credit carryforwards can be utilised. unused tax credits and any unused tax losses, unless;

iii) The deferred tax asset related to deductible temporary differences arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the date of the transaction, does not affect either accounting profit or taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer likely that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be used. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow recovery of the deferred tax asset.

Deferred tax assets and liabilities are valued at the tax rates expected to be applied for the period in which the asset is realized or the debt is settled, based on the tax rates (and tax regulations) that have been adopted or to a large extent adopted up to reporting date.

Deferred tax on items recognized outside profit and loss is recognized outside profit and loss. The elements regarding the deferred tax are recognized in correlation with the transaction supporting other elements of the global result or directly in the equity.

Deferred tax receivables and liabilities are offset if there is a legal right to offset current tax receivables with current profit tax liabilities and deferred taxes refer to the same taxable entity and the same fiscal authority.

VAT

Revenues, expenses and assets are recognized net of VAT, except for:

- The case in which the sales tax applicable to the purchase of assets or services is not recoverable, in this case the sales tax being recognized as part of the asset acquisition cost or as part of the expense element, as the case may be;

- Receivables and payables presented at a value including sales tax.

The net value of the sales tax recoverable from or paid to ANAF is included as part of receivables and payables in the statement of financial position.

In 2023, the rates for value added tax depending on the country of origin of the companies within the Group are:

Romania	**Rate**
VAT – Standard rate	19%
VAT - Reduced	9%
VAT - Reduced	5%
United Kingdom	
VAT – Standard rate	20%
VAT - Reduced	5%

Tangible assets

Initial assessment

Tangible assets are valued at cost, net of accumulated depreciation and/or accumulated impairment losses, if applicable.

This cost includes the replacement cost of the respective tangible fixed asset at the time of replacement and the cost of borrowing for long-term construction projects, if the recognition criteria are met.

When significant parts of tangible assets must be replaced at certain intervals, the Group recognizes the respective parts as individual assets with a specific useful life and depreciates them accordingly. Also, when carrying out a general inspection, its cost is recognized in the accounting value of tangible assets as a replacement, if the recognition criteria are met. All other repair and maintenance costs are recognized in the profit and loss account when incurred. The present value of the expected costs for scrapping the asset after its use is included in the cost of the respective asset if the criteria for recognizing a provision are met.

The cost of a tangible asset consists of:
- its purchase price, including customs duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs that can be directly attributed to bringing the asset to the location and condition necessary for it to function in the manner desired by management;
- the initial estimate of the costs of dismantling and moving the element and rehabilitating the location where it is located, the obligation that the entity bears when acquiring the element or as a consequence of using the element for a certain period for purposes other than those of producing stocks during that period.

Subsequent evaluation

Fixed assets are valued at historical cost from which amortization and possible adjustments for depreciation are deducted.

Depreciation of fixed assets

Depreciation is calculated using:
- the linear method for buildings and equipment that are not related to production capacity
- the accelerated method for fixed assets representing equipment that are related to the production capacity

Economic life time of assets

The period of economic use is the period of time in which the asset is expected to be used by a company. The economic useful life for tangible assets was determined by specialized employees. Depreciation is calculated using the straight-line or accelerated method, over the entire useful life of the asset.

The average lifetimes by category of fixed assets are as follows:

	Years
Fixed assets for production	2-8
Transport vehicles	6

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss resulting from the derecognition of an asset (calculated as the difference between the net proceeds on disposal and the accounting value of the item) is included in the profit and loss account when the asset is derecognised.

The residual values, lifetimes and depreciation methods of fixed assets are reviewed at the end of each financial year and adjusted accordingly.

- *Leasing*

The Group evaluates whether a contract is or includes a leasing contract, at the initiation of the contract, that is, if that contract grants the right to control the use of an identified asset for a period of time in exchange for a consideration.
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The Group as lessee

The Group applies a single recognition and valuation approach for all leasing contracts, except for short-term leasing contracts and leasing contracts for which the underlying asset has a low value. The company recognizes leasing liabilities for making lease payments and right-of-use assets that represent the right to use the underlying assets.

Assets related to the right of use
The Group recognizes a right-of-use asset on the date the lease contract commences (ie the date the underlying asset is available for use). Right-of-use assets are valued at cost, less any accumulated depreciation and accumulated impairment losses and adjusted for any revaluation of lease liabilities. The cost of the asset related to the right of use includes the value of the initial evaluation of the rent liability, the initial direct costs incurred and the related rent payments made on or before the start date of the development, less the incentives received under the rental contract.

Right-of-use assets are depreciated using the shorter of the lease term and the estimated useful life of the assets, as follows:

- Buildings 8 years

The right-of-use asset is also subject to impairment in accordance with the policy for impairment of non-financial assets described below.

Lease liabilities

On the date of commencement of the leasing contract, the Group recognizes the leasing debt at the updated value of the leasing payments that must be made during the duration of the leasing contract. Lease payments include fixed payments (including fixed payments in the fund) less any lease incentives to be received, variable lease payments that depend on an index or a rate and amounts expected to be paid based on residual value guarantees. Leasing payments also include the exercise price of a purchase option, if the Group has reasonable certainty that it will exercise the option, as well as the payment of the penalties for terminating the leasing contract, if the duration of the leasing contract reflects the Group's exercise of a termination options. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or context that triggers this payment occurs.

When calculating the updated value of the leasing payments, the Group uses the marginal loan rate from the start date of the leasing contract, if the implicit interest rate in the leasing contract cannot be determined immediately. After the start date, the value of the lease liabilities is increased to reflect the interest and reduced by the value of the lease payments made. In addition, the carrying amount of lease liabilities is reassessed if there is a change, a change in the lease term, a change in lease payments (for example, changes in future lease payments resulting from a change in an index or rate used for determining those payments) or a change in the valuation of a call option on the underlying asset.

Short-term leasing contracts and leasing contracts for which the underlying asset has a low value

As of December 31, 2023, the Group has no short-term leasing contracts or leasing contracts for which the underlying asset has a low value.
The group applies IFRS 16 for highlighting cars purchased on lease and for lease contracts for offices. In 2023, the company part of the SAFETECH INNOVATIONS GLOBAL SERVICES LIMITED group concluded a rental contract valid for one year which was considered short-term, not applying IFRS 16.

- *Intangible assets*

Separately acquired intangible assets are valued at initial recognition at cost. After initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the expense is reflected in the profit and loss account at the time the expense is incurred.

The useful lives of intangible assets are assessed as determinable.

Intangible assets with a determined useful life are amortized over their economic life and assessed for impairment whenever there are indications of impairment of the intangible asset. The amortization period and amortization method for an intangible asset with a definite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful lives or in the expected rate of consumption of the future economic benefits incorporated in the assets are accounted for by changing the method or the amortization period, as the case may be, and are treated as changes in accounting estimates. The expense of amortization of intangible assets with a useful life is recognized in the profit and loss account in the expense category in accordance with the function of intangible assets.

	Years
Computer programs	**2-3**
Research and development expenses	**5**

Gains or losses resulting from the derecognition of an intangible asset are calculated as the difference between the net disposal proceeds and the accounting value of the item and is recognized in the profit and loss account when the asset is derecognised.

Research and development expenses

Research costs are recognized as an expense when incurred. The expenses related to the development of an individual project are recognized as intangible assets when the Group can demonstrate:

- The technical feasibility required to complete the intangible asset so that it is available for use or sale;
- His intention to complete the intangible asset and the ability to use or sell it;
- The way in which the intangible immobilization will generate future economic benefits;
- Availability of resources to complete the immobilization;
- Its ability to reliably evaluate the expenses during the development of the immobilization.

After the initial recognition of the development expense of an asset, the cost model is applied, which provides for the accounting of assets at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation of fixed assets begins when the development is completed and the asset is available for sale/use. It is amortized over the period of the expected future benefit. Depreciation is recognized in the cost of goods sold. During the development period, the asset is tested annually for impairment.

Patents, licenses, trademarks

Patents, licenses, trademarks are recognized as intangible assets and evaluated according to the useful life period (definite - amortized, indefinite period - tested for impairment).

Derecognition of intangible assets

An intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses resulting from the derecognition of an intangible asset, assessed as the difference between the net proceeds from the sale and the net book value of the asset, are recognized in profit and loss when the asset is recognisable.

- **Government subsidies**

Government grants are not recognized until there is reasonable assurance that the Group will comply with the related conditions and that the grants will be received. Government subsidies are recognized in profit or loss systematically over the periods in which the Group recognizes as expenses the related costs for which the subsidies are intended to compensate. Specifically, government grants whose main condition is that the Group purchases, constructs or otherwise acquires fixed assets (including tangible and intangible fixed assets) are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss for a period. Systematic and rational basis over the useful life of the related assets.

Government subsidies that are to be received as compensation for expenses or losses already incurred or for the purpose of providing immediate financial support to the Group, without related future costs, are recognized in profit or loss in the period in which they become receivable.

- **Inventories**

The main categories of stocks are raw materials, goods and consumables.

The cost of stocks includes all purchase expenses, production costs (including all direct and indirect costs attributable to the operational activity of production) and other costs incurred in bringing the stocks to their current state and location.

Inventories are valued at the lower of cost and net realizable value. The net realizable value is the estimated selling price under the conditions of normal operation of the business less the estimated costs of completion and selling costs.

At the end of management, stocks are valued based on the FIFO method.

The Group periodically inventories the stocks to determine if they are damaged, obsolete, have slow movement or if the net realizable value has decreased, and makes the necessary adjustments.

- **Depreciation of non-financial assets**

The Group evaluates at each reporting date if there are indications of impairment of an asset. If there are indications or if an annual impairment test is necessary for an asset, the Group estimates the recoverable value of that asset. The recoverable amount of an asset is the higher of the fair value of an asset (or cash-generating unit) minus the costs associated with the sale and its value in use. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those of other assets or groups of assets. When the book value of an asset or cash-generating unit is greater than its recoverable amount, the asset is considered impaired and its book value is reduced to its recoverable amount.

In case of internally developed software, the first step in the analysis for the depreciation is that the ROA for the year (value of the realised revenuegenerated) should not be less than 20% of the net asset value at the year end. If the value of the generated income is less than 20%, the method mentioned below is used. In case generated revenue exceeds 20%, then there is no need to adjust for depreciation.

When assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax rate that reflects current market assessments of the time value of money and asset-specific risks. When determining the fair value minus the costs associated with the sale, recent market transactions are taken into account, if any. If such transactions cannot be identified, an appropriate valuation model is used.

The loss from the depreciation of continuing activities, including the depreciation of stocks, is recognized in the profit and loss account in the expense category consistent with the function of the depreciated asset, except for a property that was previously revalued and the revaluation was accounted for in other elements of the comprehensive result. In this case, the impairment is also recognized in other elements of the overall result up to the value of any previous revaluation.

In each reporting period, an assessment is made to determine if there are indicators that previously recognized impairment losses no longer exist or have decreased. If there is such an indication, the Company estimates the recoverable value of the asset or the treasury generating unit. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited, so that the accounting value of the asset does not exceed its recoverable value and does not exceed the accounting value that the asset would have had if it had not been previously depreciated. Such reversal is recognized in the profit and loss account unless the asset has been revalued, in which case the reversal is treated as a revaluation increase.

- *Cash and cash equivalents*

Cash and cash equivalents from the statement of financial position include cash at home and at banks and short-term deposits with an initial maturity of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents are made up of cash and short-term deposits defined above, net of outstanding overdrafts.

- *Provisions*

General

Provisions are recognized when the Group has a current obligation (legal or implied) generated by a previous event, there is a probability of more than 50% that an outflow of resources incorporating economic benefits will be required to settle the obligation and the value of the obligation can be reliably estimated. If the Group expects that a provision will be fully or partially reimbursed, for example, based on an insurance contract, the reimbursement is recognized as a separate asset, but only if the reimbursement is almost certain. The related expense of any provision is presented in the profit and loss account, net of any reimbursement.

Provisions are reviewed at each balance sheet date and adjusted to reflect management's current best estimate in this regard. If an outflow of resources is no longer likely to settle an obligation, the provision must be canceled by resuming income.

Provisions for litigation

Litigation provisions are recognized when management estimates probable cash outflows as a result of unfavorable litigation.

- ***Pensions and other post-employment benefits***

As part of its current activity, the Parent Company makes payments to the Romanian state on behalf of its employees for post-employment (retirement) benefits. All employees of the group are included in the pension plan of the Romanian State. The Group does not operate any other pension scheme and, consequently, has no obligation regarding pensions. In addition, the Group has no obligation to provide additional benefits to former or current employees.

- **Related parties**

The parties are considered related when one of them has the ability to significantly control/influence the other party, through ownership, contractual rights, family relationships or by other means. Related parties also include the Group's principal owners, members of management, board members and members of their families, parties with which they jointly control other companies, post-employment benefit plans for the Group's employees.

In 2023, the company established the entity SAFETECH INNOVATIONS US, INC in the United States of America with a holding of 67% of the share capital.

In 2022, the company established the entity Safetech Innovations Global Services Limited in Great Britain with a holding of 67% of the share capital and SAFETECH CYBERSECURITY LIMITED CYBER RISK MANAGEMENT SERVICES L.L.C. in the United Arab Emirates, holding 49% of the share capital.

- **Results carried forward**

The remaining accounting profit after the distribution of the 5% quota to the legal reserve, within the limit of 20% of the share capital, is taken within the carried forward result at the beginning of the financial year following the one for which the annual financial statements are drawn up, from where it is to be distributed to the other destinations legal.

The distribution of the profit is carried out accordingly in the following financial year, after the approval of the distribution in the General Meeting of Shareholders, eg: the value of the approved dividends and other reserves according to legal regulations.

3. SIGNIFICANT ACCOUNTING ASSUMPTIONS, ESTIMATES AND HYPOTHESES

The preparation of the Group's financial statements requires the management to make judgments, estimates and assumptions that affect the reported values for revenues, expenses, assets and liabilities, as well as the presented information that accompanies them, and to present the contingent liabilities at the end of the reporting period. However, the existing uncertainty related to these estimates and assumptions could result in a significant future adjustment of the accounting value of the affected asset or liability in future periods. Estimates and associated assumptions are based on historical experience and other factors that are deemed relevant. Actual results may differ from these estimates. The underlying estimates and assumptions are reviewed on an ongoing basis.

The following are the critical judgments, other than those involving estimates (which are presented separately below), that the Group 's management made in the process of applying the Company's accounting policies and which have a significant effect on the amounts recognized in the financial statements.

Argument

During the application of the Group's accounting policies, the management made the following considerations, which have the greatest effect on the amounts recognized in the financial statements:

- Reasoning in determining the fulfillment of enforcement obligations

In making their judgment, the directors have considered the detailed revenue recognition criteria set out in IFRS 15 and, in particular, whether the Group has transferred control of the assets to client. Following the detailed quantification of the Group's liability regarding the rectification works, and the agreed limitation on the customer's ability to request additional work or to request the replacement of goods, the directors are satisfied that control has been transferred and that the recognition of income in the current year is appropriate, together with the recognition of an appropriate warranty provision for rectification costs.

- Reasoning regarding the capitalization of expenses as an intangible asset

In accordance with IAS 38, the capitalization of expenses as intangible assets regarding research, start-up costs, pre-exploitation and pre-opening, training, advertising and promotion, moving and relocation previously recognized in GAAP as assets are de-recognized in the position opening situation financial IFRS. Following a detailed analysis of the Group's expenses regarding the recognition of intangible assets, the Group's management considered that the recognition of assets in the reported period is appropriate.

During the current year, the Parent Company capitalised development costs of RON 14 million relating to software, on the basis that management considers these costs to be clearly associated with identifiable products which will be controlled by the Parent Company and have a profitable benefit exceeding the cost beyond one year.
Capitalised costs related to three main software products, as presented in Note 10.

As mentioned above, in capitalising these development costs, management considered that the criteria in IAS 38, Intangible Assets (IAS 38) is met and development expenditure that does not meet the above criteria are recognised as an expense in profit or loss as these are incurred.

Estimates and assumptions

The main assumptions regarding the future and other important causes of the uncertainty of estimates at the reporting date, which present a significant risk of causing a significant adjustment of the accounting values of assets and liabilities in the next financial year, are presented below.

Taxes, fees and tax provisions

There are uncertainties regarding the interpretation of complex fiscal regulations, changes in fiscal legislation and the value and timing of future taxable profit.

All amounts owed to state authorities have been paid or ascertained at the balance sheet date. The Romanian fiscal system is undergoing a consolidation process and is in the process of being harmonized with European legislation. Different interpretations may exist at the level of the tax authorities in relation to the tax legislation which may lead to additional taxes and penalties. If the state authorities find fiscal violations and related regulations, it may lead to: confiscation of the amounts in the case; additional tax obligations; fines and penalties (which are applied to the outstanding amount). As a result, the tax penalties resulting from the violation of the legal provisions can lead to a significant debt.

At the end of each financial year, the Group makes an estimate of the potential fiscal risks to which it may be subjected and determines the level of potential risk, using the best available estimates, and consequently, if necessary, recognizes a specific provision in the financial statements.

Inventories

Finished products and goods are recorded at the lower of cost and net realizable value. The management analyzes the age of the stocks, the expiration date of the products, the quality of the products and possible non-conformity issues, the products that cannot be sold later or that are rejected based on quality problems, and takes into account their implications in determining the net realizable value of the stocks old.

The net realizable value is the sale price under normal business conditions, less completion, marketing and distribution costs, considering the future evolution of sale prices.

The management analyzed the net realizable value of the finished products monthly, taking into account the selling prices of the market as well as the regulations specific to the industry in which it operates.

For the raw materials, specific analyzes are carried out taking into account the age, expiration date, possible quality problems of the elements in the balance.

All assumptions are reviewed annually.

Provisions for litigation

The Group recognizes provisions for litigation related to the risks identified in connection with certain lawsuits pending before the courts, the outcome of which is not certain.

The lifetimes for fixed assets and the depreciation method

The Group estimates the life spans for the items of tangible assets in accordance with the rate of consumption / wear and tear for the respective assets.

The Group considers and uses the following depreciation methods:

- the linear method for buildings, fixed assets purchased in financial leasing and for equipment that are not related to production capacity
- the accelerated method for fixed assets representing equipment that are related to the production capacity

Sales discounts for estimated returns, discounts

Returns, discounts, incentives and rebates related to sales are recognized as reductions in turnover, in the period in which the respective sales were recognized. These are recognized according to commercial offers with monthly, quarterly and annual gross and net value targets. Estimated unbilled discounts are subject to continuous review and appropriate adjustment based on the latest available information.

4. STANDARDS, AMENDMENTS AND NEW INTERPRETATIONS OF THE STANDARDS

The accounting policies adopted are in accordance with those of the previous financial year and took into account the following amendments to the standards adopted by the European Union and applied starting from 1.1.2023:

International Financial Reporting Standard 17 "Insurance contracts" and the amendment to International Financial Reporting Standard 17 "Insurance contracts" (Regulation 2021/2036/19.11.2021).

On 18.05.2017, the International Accounting Standards Board issued IFRS 17, which replaces IFRS 4 "Insurance contracts". Unlike IFRS 4, the new standard introduces a consistent methodology for the accounting of insurance contracts. The essential principles of IFRS 17 are the following:
An entity:
- ✓ identifies an insurance contract as a contract under which the entity accepts a significant insurance risk from the other party (the insurance policyholder), agreeing to indemnify the policyholder if a specified uncertain future event has an adverse effect on it From behind;
- ✓ separates specified embedded derivatives, distinct investment components and distinct performance obligations from insurance contracts;
- ✓ it divides the contracts into groups that it will recognize and measure;
- ✓ recognizes and measures groups of insurance contracts at:
  i. a risk-adjusted present value of future cash flows (realizable cash flows) that includes all available information about realizable cash flows consistent with observable market information; and
  ii. an amount representing the unrealized profit related to the group of contracts (the contractual margin of the service);
- ✓ recognizes the profit from a group of contracts during the period for which the entity provides insurance and as the entity is released from risk. If a group of contracts is or becomes a loss generator, the entity immediately recognizes the loss.
- ✓ presents separately the income from insurances, the expenses with insurance services, and the incomes and expenses related to the investment component; and
- ✓ ppresents information to allow users of the financial statements to evaluate the effect that the contracts within the scope of IFRS 17 have on the financial situation, financial performance and cash flows of an entity.

On 25.6.2020, the International Accounting Standards Board issued an amendment to IFRS 17, which aims to facilitate the implementation of the standard and make it easier for entities to explain their financial performance. In addition, with this amendment, the entry into force date of the standard was postponed to 1.1.2023.
Finally, it is noted that, in accordance with the European Union Regulation that adopted the above standard, an entity may choose not to apply paragraph 22 of the standard, according to which an entity must not include in the same group contracts issued at more than for a year distance, in:
(a) groups of insurance contracts with direct participation characteristics and groups of contracts of investments with discretionary participation characteristics and with cash flows that affect or are affected by cash flows to policyholders of other contracts;

(b) groups of insurance contracts that are managed by generations of contracts and which meet the conditions provided for in Article 77b of Directive 2009/138/CE and which have been approved by the supervisory authorities for the application of the balancing premium.

The changes had no impact on the Company's financial statements.

Amendment to the International Financial Reporting Standard 17 "Insurance contracts": Initial application of IFRS 17 and IFRS 9 - Comparative information (Regulation 2022/1491/8.9.2022).

On 9.12.2021, the International Accounting Standards Board issued an amendment to IFRS 17 according to which, upon initial application of IFRS 17, entities are allowed to classify financial assets for the comparative period in a way that is aligned with that in which the entity would classify in the transition to IFRS 9. The amendment specifies how this option is applied depending on the entity's situation, i.e. if it applies IFRS 9 for the first time simultaneously with IFRS 17 or if it has already applied it in a previous period.

The changes had no impact on the Company's financial statements.

Amendment to International Accounting Standard 1 "Presentation of financial statements": Presentation of accounting policies (Regulation 2022/357/2.3.2022).

On 12.2.2021, the International Accounting Standards Board issued an amendment to IAS 1, clarifying that:

- ✓ the entity must present significant information regarding the accounting policy. The information regarding the accounting policy is significant if, when considered together with other information included in the financial statements of an entity, it can reasonably be expected that they will influence the decisions taken by the main users of the financial statements.
- ✓ The information regarding the accounting policy that refers to insignificant transactions is immaterial and does not need to be presented. The information regarding the accounting policy can still be significant due to the nature of the transactions it refers to, even if the amounts are insignificant. However, not all information regarding accounting policies related to significant transactions and other events is in itself significant.
- ✓ The information regarding the accounting policy is significant if the users of the financial statements of an entity would need it to understand other material information from the financial statements.
- ✓ Accounting policy information that focuses on how an entity applies an accounting policy is more useful to users of financial statements than standardized information or information that only summarizes the requirements of IFRS standards.
- ✓ If an entity presents insignificant information regarding accounting policy, this should not overshadow material accounting policy information.

The changes had no impact on the Company's financial statements.

Amendment to International Accounting Standard 8 "Accounting policies, changes in accounting estimates and errors": Definition of accounting estimates (Regulation 2022/357/2.3.2022).

On 12.2.2021, the International Accounting Standards Board issued an amendment to IAS 8 whereby:

- ✓ Defined accounting estimates as monetary values in financial statements that are subject to measurement uncertainties.
- ✓ Clarified that an accounting policy may require elements of the financial statements to be evaluated in a way that involves measurement uncertainty. In such a case, an entity makes an accounting estimate. The preparation of accounting estimates involves the use of judgments and assumptions.
- ✓ An entity uses measurement techniques and input data to develop an accounting estimate.
- ✓ An entity might have to change an accounting estimate. By its nature, a change in an accounting estimate does not refer to previous periods and does not represent the correction of an error.
- ✓ A change in an input data or a change in a measurement technique are changes in accounting estimates, unless they result from the correction of errors from the previous period.

The changes had no impact on the Company's financial statements.

Amendment to International Accounting Standard 12 "Income tax": Deferred tax related to assets and liabilities arising from a single transaction (Regulation 2022/1392/11.8.2022).

On 7.5.2021, the Council for International Accounting Standards issued an amendment to IAS 12 by which it narrowed the scope of the exemption from recognition according to which, in specific situations, entities are exempted from the recognition of deferred tax at the initial recognition of assets or debts. The amendment clarifies that the exception no longer applies to transactions that, upon initial recognition, give rise to equal taxable and deductible temporary differences.

The changes had no impact on the Company's financial statements.

Amendment to International Accounting Standard 12 "Income Tax": International Tax Reform - Rules of the Second Pillar Model (Regulation 2023/2468/ 8.11.2023).

On 23.5.2023, the International Accounting Standards Board issued an amendment to IAS 12 with the aim of providing guidance on the treatment of the provisions imposed by the International Tax Reform Pillar Two Model Rules. In particular, according to the amendment, an entity:

- ✓ It must not recognize and not present information regarding deferred tax assets and liabilities arising from the profit tax according to Pillar Two.

- ✓ It must present the fact that he applied the above exception.
- ✓ It must present separately the expenses (income) with the current tax related to the profit tax according to Pillar Two.
- ✓ in the periods in which the legislation of the Second Pillar was adopted (or was substantially adopted), but has not yet entered into force, it must present known information or that can be reasonably estimated, which will help the users of the financial statements to appreciate its exposure to profit tax according to Pillar Two.

The changes had no impact on the Company's financial statements.

Amendment to International Financial Reporting Standard 16 "Leasing contracts": Leasing liability in the context of a sale and lease (Regulation 2023/2579/ 20.11.2023)

In force for the annual periods starting on 1.1.2024 or after this date. On September 22, 2022, the International Accounting Standards Board amended IFRS 16 to clarify that, in a sale and leaseback transaction, the seller-lessee must determine "lease payments" or "revised lease payments" so that do not recognize any amount in the gain or loss that relates to the retained right of use. In addition, in case of partial or total termination of a leasing contract, the seller-lessee is not prevented from recognizing in profit or loss any gain or loss resulting from this termination.

The company is examining the impact of adopting the above amendment on its financial statements.

Amendment to International Accounting Standard 1 "Presentation of financial statements": Classification of current or non-current liabilities (Regulation 2023/2822/19.12.2023).

In force for the annual periods starting on 1.1.2024 or after this date.

On 23.1.2020, the International Accounting Standards Board issued changes to IAS 1 regarding the classification of liabilities as current or non-current. More specific:

- ✓ the changes specify that those conditions that exist at the end of the reporting period are the ones that will be used to determine whether the obligation should be classified as current or non-current.
- ✓ management's expectations regarding events subsequent to the balance sheet date should not be taken into consideration.
- ✓ the changes clarify the situations that are considered liquidation of a debt.

On 15.7.2020, taking into account the impact of Covid-19, the International Accounting Standards Board extended the effective date by one year.
The company is examining the impact of adopting the above amendment on its financial statements.

Amendment to International Accounting Standard 1 "Presentation of financial statements": Non-current liabilities with contractual clauses (Regulation 2023/2822/ 19.12.2023)

In force for the annual periods starting on 1.1.2024 or after this date.
On 31.10.2022, the International Accounting Standards Board (IASB) issued an amendment to IAS 1 through which it provided clarifications regarding the classification as current or non-current, of a debt for which the entity has the right to postpone settlement for at least 12 months and which is subject to compliance with contractual clauses. More precisely, it has been clarified that only the obligations that an entity must comply with on or before the reporting date affect the classification of a debt as current or non-current. In addition, the amendment extended by one year the effective date of the amendment issued in 2020 for IAS 1 "Classification of current or non-current liabilities".

The company is examining the impact of adopting the above amendment on its financial statements.

In addition, the International Accounting Standards Board adopted the following standards and amendments to the standards, which have not yet been adopted by the European Union and which have not been applied in advance by the Company.

(expressed in RON, unless otherwise specified)

Amendment to the International Financial Reporting Standard 10 "Consolidated financial statements" and to the International Accounting Standard 28 "Investments in associated entities and joint ventures": Sale or contributions of assets between an investor and the associated company.

Date of entry into force: to be determined.

International Financial Reporting Standard 14 "Deferral accounts related to regulated activities"

In force for the annual periods starting on 1.1.2016 or after this date.
Management has assessed that the application of the changes will not have any impact on the financial position or performance of the Group.

5. SALES OF GOODS AND SERVICES AND EXPENSES WITH RAW MATERIALS AND CONSUMABLES

5.1 Turnover

The Group has only one reportable segment, which is the sale of cybersecurity products and services.

Management's objective is always to pursue profit, not revenue, and this can be achieved through a proper sales and marketing strategy, covering multiple sectors and markets. In 2023, considering the demand of the markets as well as the legislative context, the business strategy was focused on increasing the amount of money and implicitly profitability.

The Group's management monitors operational activities and resource allocation to maximize performance. Performance is evaluated based on operating profit or loss, gross profit or loss.

The group monitors sales according to their type - services and sales of goods and by destination - domestic sales and exports.

	December 31 2023	**December 31 2022**
Internal sales	30.977.193	31.350.708
External Sales	149.723	412.811
Total turnover	**31.126.916**	**31.763.519**
Income from services	**9.763.856**	**11.692.678**
Sales of goods:	**21.320.202**	**20.067.165**
Finished goods	10.343.155	14.187.552
Goods sales	10.977.048	5.879.613
Other income	**-**	**3.675**

External sales consist of cyber security services provided.

In the category of "Revenues from the provision of services" are included the revenues from the provision of penetration test and source code audit services, Security consultancy, development and implementation of Security standards, monitoring of security events (via STI CERT), detection and response to security incidents (through STI CERT), security audit, risk analysis, sale of own products and others.

The Group recorded the sale of goods consisting of security products such as licenses, access cards and others.

(expressed in RON, unless otherwise specified)

In the category of income from the sale of finished products, you can find cyber security solutions, including implementation services.

5.2. Raw materials and consumables used

Raw materials and consumables used	December 31 2023	December 31 2022
Raw materials	6.973.650	12.085.308
Fuel materials and spare parts		25.334
Products		5.814.793
Supplies	53.032	23.303
Inventory items		37.214
Others	7.132	4.792
Total	**17.102.989**	**17.990.744**

The expenses with raw materials mainly refer to the expenses for the purchase of cyber security hardware and software products.

6. OTHER INCOME / EXPENSES AND ADJUSTMENTS

6.1 Other operating revenues

In 2023, the Group presents the following operating income:

	31 december 2023	31 december 2022
Income from operating subsidies	543,626	0
Income from subsidies for investments	338,199	338,199
Income/(expenses) from the sale of assets	338,402	0
Other operating revenues	409,209	13,175
Total other operating income	**1,629,436**	**351,374**

6.2 Other operating expenses

Other operating expenses	December 31 2023	December 31 2022
Services	4.298.913	3.967.558
Telecommunication services	144.640	85.822
Sponsorship	238.183	238.183

(expressed in RON, unless otherwise specified)

Other operating expenses	**December 31 2023**	**December 31 2022**
Insurance	116.381	146.275
Utilities	107.425	185.052
Travel expenses	232.177	113.620
Training	89.829	29.696
Maintenance	32.473	26.711
Other	464.826	505.836
Total	**5.699.791**	**5.298.754**

Utilities mainly refer to energy and water expenses.
Service expenses include a wide variety of services: legal consulting, marketing, capital market consulting, subcontracting expenses for some programming services.
Repair services include special fleet repair services.
Other expenses include mainly bank commissions, fees, other expenses with taxes and fees.

6.3 Financial expenses

Financial expenses	**December 31 2023**	**December 31 2022**
Interest expense	103.982	112.601
Expenses with exchange rate differences	243.182	103.982
Other financial expenses	17.689	-
Total	**364.853**	**245.834**

Interest expenses are represented by the amounts related to bank loans.

6.4 Financial income

Financial income	**December 31 2023**	**December 31 2022**
Gains on exchange rate differences	130.665	112.197
Interest income	39.440	48.330
Total	**170.105**	**160.527**

(expressed in RON, unless otherwise specified)

6.5 Employee benefit expenses

Salary expenses

	December 31 2023	December 31 2022
Salaries	14.419.900	10.309.673
Payroll taxes	678.000	339.419
Salaries benefits (meal vouchers)	472.040	148.904
Total	**15.569.939**	**10.797.996**

In 2022, through the General Meeting of Shareholders, it was decided to approve the implementation of a plan to reward and motivate the Company's key personnel, of the Stock Option Plan (SOP) type, which will take place in the period 2022-2024, with the objective of granting rights regarding the free acquisition of a determined number of shares by the Company's employees, administrators and/or directors for the purpose of their loyalty and motivation. It was also approved the repurchase by the Company of its own shares through acquisitions in the market where the shares are listed or through public tender offers.

Among the approved conditions of the SOP, are:

- The right to acquire shares will be exercised after a period established by the decision of the Board of Directors ("CA") regarding the implementation of the SOP plan, which will be at least 1 year between the moment of granting the right and the moment of its exercise;
- Within the SOP plan, the persons occupying the positions in the Company's organizational chart, to be established by the decision of the AGM or the decision of the CA, as the case may be, will be able to participate, respecting the principle of non-discrimination;
- Implementation of the SOP plan, in compliance with the legal obligations to prepare and publish information documents, in accordance with the law and the applicable ASF regulations

Among the redemption conditions of the treasury shares are:

- The maximum number that can be purchased is 6,500,000 shares;
- The price per share to be paid will be between the minimum price of 0.2 lei and a maximum price of 6 lei;
- The aggregate value of the redemption program is up to 1,600,000 lei;
- The duration of the redemption program is a maximum of 18 months from the publication of the AGM decision in the Official Gazette

Thus, in November 2022, the Company repurchased a number of 433,703 own shares, worth 1,153,990.43 lei, signing a number of 48 option agreements.
In November 2023, part of the option agreements were exercised, corresponding to a number of 291,600 own shares. The difference of 142,103 own shares was granted free of charge in the form of a bonus to employees, managers based on the Share Grant Agreement, as a performance bonus for the activity carried out during the year 2023 (1.01.2013-31.12.2023).

6.6 Marketing and advertising expenses and protocol

The Group recognizes as marketing and advertising expenses the expenses generated by the media promotion campaigns. During the current year, in this category are recorded mainly expenses for the promotion of the Group's products and projects.

(expressed in RON, unless otherwise specified)

7. CURRENT AND DEFERRED PROFIT TAX

On December 31, 2023, the companies included in the consolidation perimeter present the following component of current and deferred profit tax:

- **The Parent Company**

Income tax expense	**December 31 2023**	**December 31 2022**
Current profit tax	1.298.143	1.405.361
Deferred tax (expense (income)	(20.990)	(9.265)
Total	**1.277.153**	**1.396.096**

- **Safetech Innovations Global Services Limited**

On December 31, 2023, the company records a loss:

	Amount
Total income	69.403
Total expenses	(7.508.289)
Loss	(7.438.886)

Following an assessment carried out at the end of 2023, which aimed to identify the means of accelerating the company's development on the UK market, Safetech Innovations Global Services Limited adopted a new strategy, that of focusing on a larger volume of lower value contracts. At the same time, following this assessment, the management of Safetech Innovations reorganized the respective entity, reducing the expenses related to the company by 40%. The Company's management expects that the effects of this reorganization will be visible starting from Q2 2024.
In line with the UK contracting strategy, as of early 2024, Safetech UK has already signed the first contracts and has approximately £150,000 worth of awarded contracts in the pipeline. The focus on pursuing smaller value contracts supports a more dynamic response to market opportunities and facilitates a steady revenue stream, avoiding the long negotiation and project initiation periods seen with larger contracts

8. RESULT PER ACTION

The values of the basic result per share are calculated by dividing the net profit of the year attributable to ordinary shareholders by the weighted average number of ordinary shares in circulation during the year.

The weighted average number of ordinary shares during the period is the number of ordinary shares existing at the beginning of the period, adjusted by the number of ordinary shares repurchased or issued during the period multiplied by a time weighting factor. The weighting factor in time is the number of days in which the shares were in existence as a proportion of the total number of days in the period;

The number of shares related to the period ended on December 31, 2023 is 66,500,000 shares.

	2023	**2022**
Net profit of the financial year	3.830.575	6.029.156
Number of shares	66.500.000	66.500.000
Basic and diluted result per share	0,058	0,090

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2023 (expressed in RON, unless otherwise specified)

9. TANGIBLE FIXED ASSETS AND ASSETS RELATED TO THE RIGHT OF USE

FIXED ASSETS

	Right of use buildings	Building improvements	Machines, machinery and Equipment	Furniture, office equipment, protective equipment	Fixed assets in progress	Total
Gross value on January 1, 2023	**1.978.668**	**11.985**	**3.380.522**	**478.313**	**-**	**5.849.488**
Additions	371.901	403.610	525.024	132.245	383.062	1.815.842
Revaluation						
Outputs			(441.824)		(383.62)	(824.886)
Transfers			(465.536)	(7.700)	0	(473.236)
Gross value on December 31, 2023	**2.350.569**	**415.595**	**2.998.185**	**602.858**	**0**	**6.367.208**
Amortization and depreciation on January 1, 2023	**807.873**	**5.532**	**2.875.567**	**384.794**		**4.073.766**
Amortization in the year	288.908	57.243	446.054	44.251	-	836.456
Outputs			(417.525)			(417.525)
Transfers			(27.079)			(27.079)
Amortization and depreciation on December 31, 2023	**1.096.781**	**62.774**	**2.877.016**	**429.045**		**4.465.617**
Net worth December 31, 2023	**1.253.788**	**352.821**	**121.169**	**173.813**		**1.901.591**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2023 (expressed in RON, unless otherwise specified)

	Right of use buildings	Building improvements	Machines, machinery and Equipment	Furniture, office equipment, protective equipment	Total
Gross value on January 1, 2022	**1.722.129**	**11.985**	**3.181.618**	**373.037**	**5.288.769**
Additions	256.539	0	198.904	55.170	510.613
Revaluation	0	0	0	-	-
Outputs	0	0	0	-	-
Transfers	0	0	0	50.106	50.106
Gross value on December 31, 2022	**1.978.668**	**11.985**	**3.380.522**	**478.313**	**5.849.488**
Amortization and depreciation on January 1, 2022	**596.121**	**4.149**	**1.845.075**	**241.044**	**2.686.389**
Amortization in the year	211.752	1.383	1.030.492	93.644	1.337.271
Outputs	0	0	0		-
Transfers	0	0	0	50.106	50.105.73
Amortization and depreciation on December 31, 2022	**807.873**	**5.532**	**2.875.567**	**384.794**	**4.073.766**
Net worth December 31, 2022	**1.170.795**	**6.453**	**504.955**	**93.519**	**1.775.722**

The group recognized in the category of "Assets related to the right of use" the lease contract of the space where the Mother Company operates and financial leasing contracts regarding the purchase of passenger cars.

The parent company has a rental contract that includes extension and termination options. These options are negotiated by the Company's management to provide flexibility in the management of the portfolio of leased assets and to align with the Company's business needs. The management of the Company exercises significant judgment to determine whether there is reasonable certainty for the extension or termination of the contract. Leasing contracts are concluded for a fixed period of five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2023 (expressed in RON, unless otherwise specified)

The accounting value of the rental debt and the movements recorded in this category during the 1st semester of 2023:

At 1st January 2023	**1.340.775**
Additions	371.901
Interest associated with the leasing debt	102.416
Lease payments	431.030
Debt revaluation	5.456
At December 31, 2023	**1.389.518**

The following expenses represent the amounts recognized in profit or loss in connection with leasing contracts:

2023	
Depreciation of assets related to the right of use	288.908
Interest expense related to the leasing debt	102.416
Total expenses recognized in the profit and loss account	**391.325**

At 1st January 2022	**1.284.906**
Additions	256.539
Interest associated with the leasing debt	89.439
Lease payments	(290.712)
Debt revaluation	603
At December 31, 2022	1.340.775

The following expenses represent the amounts recognized in profit or loss in connection with leasing contracts:

2022	
Depreciation of assets related to the right of use	211.752
Interest associated with the leasing debt	89.439
Total expenses recognized in the profit and loss account	**301.190**

(expressed in RON, unless otherwise specified)

	31 december 2023	**31 december 2022**
Short-term leasing debt	307,068	251,228
Long-term leasing debt	1,082,451	1,089,547
Total leasing debt	**1,389,518**	**1,340,775**

10. INTANGIBLE ASSETS

	Establishment expenses	**Development expenses**	**Concessions, patents and other rights**	**Other intangible assets**	**Total**
Costs on January 1 2023	**323.700**	**23.372.547**	**114.429**	**7.358.038**	**31.168.714**
Additions	-	14.159.375	-	1.169.692	**15.329.068**
Disposals	-	-	-	-	**-**
Transfers	-	-	-	-	**-**
Costs as at 31 December 2023	**323.700**	**37.531.922**	**114.429**	**8.527.730**	**46.497.782**
Amortization and depreciation on January 1, 2023	**167.760**	**0.00**	**114.429**	**3.955.324**	**4.237.513**
Amortization in the year	155.940	-	-	1.464.660	1.620.601
Disposals	-	-	-	-	-
Amortization and depreciation on December 31, 2023	**323.700**	**-**	**114.429**	**5.419.985**	**5.858.114**
Net Value at December 31, 2023	**-**	**37.531.922**	**-**	**3.107.746**	**40.639.667**

	Establishment expenses	**Development expenses**	**Concessions, patents and other rights**	**Other intangible assets**	**Total**
Costs on January 1 2022	**195.965**	**12.228.077**	**114.429**	**5.266.206**	**17.804.677**
Additions	127.735	12.702.364	-	2.091.832	**14.921.931**
Disposals	-	-	-	-	**-**
Transfers	-	(1.557.894)	-	-	**(1.557.894)**
Costs as at 31 December 2022	**323.700**	**23.372.547**	**114.429**	**7.358.038**	**31.168.714**

(expressed in RON, unless otherwise specified)

	Establishment expenses	Development expenses	Concessions, patents and other rights	Other intangible assets	Total
Amortization and depreciation on January 1, 2022	**64.658**	**-**	**114.429**	**2.287.621**	**2.466.708**
Amortization in the year	103.102	-	-	1.667.703	**1.770.805**
Disposals	-	-	-	-	**-**
Amortization and depreciation on December 31, 2022	**167.760**	**-**	**114.429**	**3.955.324**	**4.237.513**
Net value at December 31, 2022	**155.941**	**23.372.547**	**-**	**3.402.714**	**26.931.201**

Own products are included in the category of research and development expenses: currently, the company has a number of its own cyber security products under development or that it intends to develop, which will bring new added value to customers.

iSAM - In March 2019, Safetech launched its first cybersecurity product - iSAM, the Information Security Automation Manager. iSAM enables information security managers of companies to better manage cyber security within their organization by automating certain processes, providing real-time updates on the level of cyber protection and enabling early detection of cyber security threats. Safetech holds the National Computer Program Registry certificate for iSAM.

The certificate was issued on 22.01.2020 by the Romanian Copyright Office. The main functionalities of the application developed by Safetech include:

- inventory of business processes and IT systems;
- management of security policies and standards within the organization;
- continuous analysis and management of risks and vulnerabilities;
- event and security incident management.

The solution automates some of the activities of information security officers, but also helps organize security reports, bringing together information from various departments, thus saving time and aligning the practices used in a company. The platform also has the option to generate almost instantaneous reports on the level of IT security within the organization, as well as to provide tools for the management of security indicators and risks.

The solution is mainly aimed at large companies in the financial-banking, healthcare, transport, energy, utilities and digital infrastructure sectors, ensuring compliance with the relevant IT security provisions applicable to these industries. iSAM helps companies comply with the following regulations currently applicable in Romania:

- Law 362/2018 on ensuring a high level of security of computer networks and systems;
- Norm 4/2018 of the Financial Supervision Authority (ASF) regarding the management of operational risks;
- BNR Regulation 3/2018 regarding the monitoring of the financial market and the infrastructure of payment instruments;
- General Regulation on the Protection of Personal Data (GDPR). The valorization of the project is carried out by two methods:
- Capitalization in the form of either a perpetual license or a subscription (annual service on premises - annually renewable) to the company's beneficiaries.
- Valorization in the form of streamlining the activity within the Security Operations Center - STI CERT company structure, both in the daily security monitoring activities of the company's beneficiaries, as well as in the security testing and information security management services.

During 2023 important developments were made to the iSAM solution, in amount of RON 1988 thousands, mainly representing software development employee costs, and subcontractors’ costs.

(expressed in RON, unless otherwise specified)

ToR-SIM (research project completed in 2020) - Capitalization as either a perpetual license or subscription (annual "on premises" service) to the Integrated Mobile Terminal Malware Analysis Software Platform (Acronym: ToR-SIM). The software platform that integrates, in a unified way, the malware analysis procedures for most of the equipment on the market at the moment, in order to strengthen the security of terminals and networks, identify the operational requirements and the capabilities necessary to develop and secure solutions for devices and mobile applications that to ensure, through a partnership between the responsible governmental factors, the academic and industrial environment, the increase in the efficiency of cyber protection solutions. The platform is developed at the prototype level, validated on a single beneficiary (the one established by the research project, which gave its acceptance that the product was developed according to the project's requirements). Further development of the product to commercial product level follows.

During 2023 important developments were made to the ToR-SIM solution, in amount of RON 757 thousands, mainly representing software development employee costs, and subcontractors' costs.

SafePic (grant funded project that will be completed in 2023) **- I**t aims to increase the response capacity of STI–CERT to cyber security attacks and incidents, through automation and interoperability with similar structures at national and international level, but also the development organizational by carrying out a set of design actions and implementing measures to improve the components of the management system (strategy, structure, information system, decision-making system, methodological system), aimed at increasing the performance and competitiveness of the organization.

During 2023 the project continued in accordance with project plan and budget, where reimbursment applications submittted and approved by management authorities based on the software developments in amount of RON 7.989 thousands.

BCM – project started at the beginning of 2023, financed from own resources, with the aim of developing a software application for business continuity management. Upon completion of the project, the resulting product will be capitalized through subscription-type licenses. During the year 2023, the project was carried out in accordance with the project plan and budget, the expenses being in the amount of 3,423 thousand lei

11. INVENTORIES

Inventories	31 december 2023	31 december 2022
Raw materials	269.429	-
Merchandise	131.271	91.864
Supplies	-	2.699
Total	**400.699**	**94.563**

The company does not hold stocks mortgaged in favor of third parties on December 31, 2023 and respectively on December 31, 2022.
The company has no slow-moving inventory.

(expressed in RON, unless otherwise specified)

12. TRADE RECEIVABLES AND OTHER / CURRENT RECEIVABLES

Trade receivables and other receivables	**31 December 2023**	**31 December 2022**
Total net trade receivables of which:	**6.731.899**	**12.173.210**
Trade receivables, of which	6.428.921	4.075.170
Trade receivables with affiliated companies	-	-
Uncertain trade receivables	186.104	186.178
Clients invoices to be drawn up	248.733	8.033.806
Other receivables	54.245	64.234
Minus		
Allowances for expected losses on receivables	(186.104)	(186.178)
Total other receivables of which:	**498.252**	**813.877**
Different debitors	198.541	636.656
Prepayments	141.323	130.148
Other current assets	158.389	47.073

Total receivables as of December 31, 2023	**0 - 30 days**	**30 - 60 days**	**60-120 days**	**120-365 days**	**Older than 1 year**
6.428.921	5.724.608	610.810	0	24.749	68.755

Total receivables as of December 31, 2022	**0 - 30 days**	**30 - 60 days**	**60-120 days**	**160-365 days**	**Older than 1 year**
4.075.170	4.000.707	0	0	30.229	44.204

13. CASH AND CASH EQUIVALENTS

	31 december 2023	**31 december 2022**
Cash at the bank in RON	3.361.741	5.641.191
Cash at the bank in foreign currency	1.130.596	690.002
Cash in the cash register	-	12.249
Other values	-	40.925
Total	**4.492.337**	**6.384.367**

Cash in the bank bears interest at the daily interest rate when deposits are made. Short-term deposits are made for different periods of time between 1 day and 3 months, depending on the cash needs of the Group and accumulate interest at the appropriate interest rates.

(expressed in RON, unless otherwise specified)

14. CAPITAL AND RESERVES

Authorized Shares/Social Parties	**31 December 2023**	**31 December 2022**
Ordinary shares of 0.2 RON each	66.500.000	66.500.000

Ordinary shares issued and paid in full	**Number**	**Value**
At 31 december 2022	66.500.000	13.300.000
At 31 december 2023	66.500.000	13.300.000

Share capital	**31 December 2023**	**31 December 2022**
Subscribed and unpaid social capital	-	-
Subscribed and paid-up capital	13.300.000	13.300.000
Total share capital	**13.300.000**	**13.300.000**

On 18.09.2020 the Parent Company decided on the transformation from a Limited Liability Company to a Joint Stock Company and the share capital was set at 500,000 ROL and 2,500,000 shares with a nominal value of 0.2 RON.

The registration date for the share capital increase was 31.08.2021, ex-date 30.08.2021, and 01.09.2021 was the date when the pre-emptive rights were loaded into the shareholders' accounts. In the same AGM, the establishment of two companies, one in Great Britain and one in the USA, partly owned by the Company, as an associate with a percentage of at least 67% of the share capital, was also approved.

On December 31, 2023, the parent company registered an increase in the share capital, thus the number of shares increases to 66,500,000 shares totaling 13,300,000 lei. The nominal value of the shares being 0.2 RON/share.

Between August and December 2022, the Company repurchased a number of 433,703 own shares, worth 1,153,990.43 lei. For the redeemed shares, the Company signed option agreements in November 2022.
In November 2023, part of the option agreements were exercised and part of them were granted free of charge in the form of bonuses to the key personnel of the entity, so that on December 31, 2023 all the Company's own shares were distributed. This aspect is detailed in note 6.5 of these financial statements.

At December 31, 2023, the shareholding structure of the parent company is as follows:

Ownership structure	Number of shares	Percentage
Victor Gansac	21.014.928	31,6014%
Paul Rusu	21.000.000	31,5789%
Other shareholders	24.485.072	36,8197%
Total	**66.500.000**	**100%**

(expressed in RON, unless otherwise specified)

Reserves

Total other reserves included in capital components:	31 December 2023	31 December 2022
Legal reserves	1.670.846	1.090.284
Other reserves (other funds)	29.782	29.782
Reported result	9.768.321	1.543.408
Total other reserves	**11.468.948**	**2.663.473**

Legal Reserves

The parent company establishes legal reserves in accordance with the law of commercial companies, which stipulates that 5% of the annual profit before tax be transferred to "Legal reserves" until the reserve reaches the threshold of 20% of the share capital. Legal reserves are not distributable. On December 31, 2023, a legal reserve was established in the amount of 1,676,084 RON (2022: 1,090,284 RON).

Other Reserves

Other reserves include distributions of profits related to the years prior to 2023. These reserves are available for distribution in the form of dividends.

15. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

As detailed in the accounting policies, the Parent Company applies a defined employee benefit plan. The plan requires the company to pay the social insurance contribution for employees, in the public pension fund.

As part of its current activity, the Parent Company makes payments to the Romanian state for the benefit of its employees. All employees of the parent company are included in the pension plan of the Romanian State. The company does not operate any other pension scheme or post-retirement benefit plan and, consequently, has no obligation regarding pensions. In addition, the Parent Company has no obligation to provide additional benefits to former or current employees.

Retirement benefits: The Collective Labor Agreement does not provide for any benefits that the Company must grant to employees upon retirement based on seniority within the Parent Company and that could have an impact on the financial statements.

In 2022, the company approved the implementation of a plan to reward and motivate the Company's key personnel by granting free shares. Details regarding it can be found in note 6.5.

16. TRADE AND OTHER LIABILITIES (CURRENTS)

Trade and other liabilities	31 December 2023	31 December 2022
Local trade debts	5.771.843	7.842.448
Foreign trade debts	38.644	608.616
Liabilities for purchases of fixed assets	369.896	(16)
Advances received and other liabilities	3.547	106.625

(expressed in RON, unless otherwise specified)

Trade and other liabilities	31 December 2023	31 December 2022
Lease liabilities	307.068	1.100.335
Total	**6.490.998**	**9.658.008**

Trade payables increased compared to the previous year as a result of the increase in the company's activity.

Other current liabilities	31 December 2023	31 December 2022
Salaries	496.058	439.735
Contributions and taxes wages	751.760	540.652
VAT	338.543	737.578
Dividends	3.529	1.415
Revenues registered in advance	-	-
Other liabilities	37.094	104
Total	**1.626.983**	**1.719.484**

The terms and conditions of the financial debts mentioned above:
Commercial debts do not bear interest and are usually settled within 30 - 90 days.

For explanations of the Company's liquidity risk management processes, see the information below.

17. SHORT TERM LOANS

In 2023, the Company part of the SAFETECH INNOVATIONS GLOBAL SERVICES LIMITED group contracted two short-term loans from natural persons, the total loan on December 31, 2023 being 7,302,928 lei.

18. RELATED PARTIES

18.1 Nature of transactions with affiliated entities and other related parties

An entity is affiliated to another entity if:

a) directly or indirectly, through one or more entities:
- controls or is controlled by the other entity or is under the common control of the other entity (this includes parent companies, subsidiaries or member subsidiaries);
- has an interest in the said entity, which gives him significant influence over it; or
- has joint control over the other entity;

b) represents an associated entity of the other entity;
c) represents a joint venture in which the other entity is associated;
d) represents a member of the key management staff of the unit or its parent company;
e) represents a close member of the family of the person mentioned in letter a) or d);
f) represents an entity that is controlled, jointly controlled or significantly influenced or for which the significant voting power in such an entity is given, directly or indirectly, by any person mentioned in letter d) or e); or
g) the entity represents a post-employment benefit plan for the benefit of the employees of the other entity or for the employees of any entity related to such company.

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(expressed in RON, unless otherwise specified)

- **Details about other affiliated parties in 2023 and 2022:**

Company name	Nature of relationship	Transation type	Country	Headquarters
Safetech Intelligence SRL	Affiliated company	No transactions	Romania	București
Betamont Infrastructure G.E.L.E.	Affiliated company	No transactions	Romania	București

In 2023, the company established the entity SAFETECH INNOVATIONS US, INC in the United States of America with a holding of 67% of the share capital.
In 2022, the company established the entity Safetech Innovations Global Services Limited in Great Britain with a holding of 67% of the share capital and SAFETECH CYBERSECURITY LIMITED CYBER RISK MANAGEMENT SERVICES L.L.C. in the United Arab Emirates, holding 49% of the share capital.

18.2 Amounts due and receivable from affiliated entities and other related parties

- **Receivables and debts from/to affiliated entities / other related parties:**

	Amount at 31 December 2023	Amount at 31 December 2022
Receivables Safetech Intelligence S.R.L	-	393.043

Compensation granted to the Parent Company's key management personnel

Administrators, directors and the supervisory committee

In the years 2023 and 2022, the Company paid the following amounts to administrators, directors which include allowances, dividends and taxes:

	Year end 31 December 2023	Year end 31 December 2023
	1.184.014	1.906.419
Total	**1.184.014**	**1.906.419**

On December 31, 2023, the Parent Company had a remunerated Board of Directors, the President of the Board of Directors being part of the executive management.

On December 31, 2023, the Parent Company had no obligation regarding the payment of pensions to former associates or members of the executive management.

At the end of the financial year, there were no guarantees or future obligations assumed by the Parent Company on behalf of the administrators or directors.

In 2023, the company approved the implementation of a stock option plan to reward and motivate the Parent Company's key personnel by granting free shares in the future. Among the people included in the key personnel who will benefit from this plan are also the members of the board of directors.

19. COMMITMENTS AND CONTINGENCIES

Commitments from financing contracts:

In 2020, the Parent Company concluded a financing contract through the competitiveness operational program with the title: "Centre of excellence for cyber security and resilience of critical infrastructures" (SafePIC) SMIS Code 2014+:120436, Call Code: POC/222/1/ 3/ Stimulating the demand of enterprises for innovation through CDI projects carried out by enterprises individually or in partnership with CD institutes and universities, in order to innovate processes and products in economic sectors with growth potential (MDR).

In order to advance the sustainability of the "Centre of excellence for cyber security and resilience of critical infrastructures (SafePIC)" project, the management of the parent company committed to consider the following measures:

- Looking at supporting ROI, Safetech Innovations has obtained expressions of interest / pre-orders from interested companies, confirming market interest in the product.
- In preparing the financial forecasts, the principle of prudence was especially taken into account - revenues being estimated in a slightly pessimistic manner;
- The financial sustainability of the project presupposes its ability to support itself from this point of view (in the worst case assuming the relationship income = expenses). The way in which the activity after the termination of the non-reimbursable financing is conceived and thought also takes into account the obtaining of profit (Revenue-Profit = Expenses). Thus, possible slightly erroneous estimates such as oversized revenues or undersized expenses would not make the company's activity unsustainable, diminishing the estimated profit to begin with.

The parent company has demonstrated that the enterprise has the ability to generate income from the capitalization of the project results, as well as the ability to cover the operating and maintenance costs after the end of the non-refundable financing, resulting from the commercialization of the products/services/technology obtained from the project, at least during the sustainability period of the 36-month project.

Over the entire analyzed time horizon, the cash flow is positive.
The applicant's ability to support itself financially in the period after implementation is also supported by the financial results that the company has had from a financial point of view since the beginning of its establishment, results obtained through effective financial management. Thus, the company's turnover over the period 2011-2014 evolved from 1,288,644 lei to 9,115,976 lei, maintaining an upward trend throughout the period.
Considering the overall evolution of the company, the risk that the company will not be able to meet its objectives regarding the expected return on investment is low. From the point of view of technical sustainability, the main objective is to keep the innovative cyber security solution in optimal functional conditions.
The main measures (without being the only ones taken) undertaken by the company's management in this regard are the following:

- Keeping all staff in the operating team, staff selected on the basis of competence and skills criteria, details given in chapter C of the business plan; for a good performance of the operation stage, the ideal way of working is for the personnel who were involved in the implementation stage to ensure the continuity of the activity during the sustainability period.
- 4 new jobs for qualified personnel in the field of cyber security, covering any current gap in the company in terms of technical requirements;
- The training of the personnel who will subsequently ensure the maintenance of the product developed through the project, as well as the training of trainers who will ensure the training of the personnel to whom the product is directly addressed;
- Ensuring continuous training for all members of the operating team;
- Developing a manual with procedures for using the developed product;
- Carrying out the technical audit is an additional measure to ensure sustainability from a technical point of view. Considering the measures taken, it can be stated that the sustainability of the results of the project proposed for financing will be supported both administratively, technically and financially. In addition, the existence of pre-orders and letters of interest confirm the market validation of the product developed by the project.

According to both financing contracts, the Parent Company has the obligation to submit annual Sustainability Reports, after submitting the financial statements to ANAF, for the entire duration of the project, starting with the first calendar year following the year in which the implementation was completed.

Sustainability reports shall contain at least the following types of data and information regarding:
a. changes to the beneficiary's status and identification data;
b. how and where infrastructures, equipment and assets are used;
c. how infrastructure investment or productive investment continues to generate results.

According to the financing agreements, in the case of projects that include productive or infrastructure investments and that are not co-financed from the ESF, the sustainability period of the project is a minimum of 3 years for the beneficiaries in the SME category, respectively a minimum of 5 years for the other categories of beneficiaries upon making the final payment under this contract or the period provided for in the state aid regulations, whichever is greater.
If the project includes investments in infrastructure or production, the beneficiary (unless the beneficiary is an SME) has the obligation not to relocate the production activity outside the European Union, within 10 years of making the final payment. If the contribution from the ESI funds takes the form of state aid, the 10-year period is replaced by the deadline applicable according to the rules on state aid.

The sustainability analysis of the project is carried out by the OIC based on the Sustainability Reports prepared by the beneficiary and the monitoring visits, in order to ensure the sustainability of the projects, as well as the fact that all contributions from the funds are attributed only to projects that, within 3/5 years after their conclusion, were not affected by any change in the category of those stated below, respectively:

i. a substantial change affecting their nature, objectives or conditions of achievement and which would cause their original objectives to be undermined;
ii. a change in the ownership of an infrastructure element that gives an unjustified advantage to an enterprise or a public body;
iii. termination or relocation of a productive activity outside the eligible area

Other commitments and contingencies:

Taxation - All amounts owed to the State for taxes and duties have been paid or recorded at the balance sheet date.

The parent company considers that it has paid on time and in full all the fees, taxes, penalties and penalty interests, to the extent that it is the case.

The Romanian tax authorities did not carry out checks.

In Romania, the fiscal year remains open for checks for a period of 5 years.

Transfer price - In accordance with the relevant tax legislation, the tax assessment of a transaction made with related parties is based on the concept of the market price related to that transaction. Based on this concept, transfer prices must be adjusted to reflect market prices that would have been established between entities that do not have an affiliation relationship and that act independently, based on "normal market conditions".

During the reporting period, there were no transactions with related parties and there is a transfer price risk.

The Board of Directors reviews and agrees to the management policies for each of these risks which are briefly presented below.

Business plan risk – Safetech operates in what can still be considered a niche market, especially in Romania. The company aims for sustainable growth, based primarily on legislative changes at the level of the European Union, which will require companies in important sectors of activity, such as energy, utilities, critical infrastructure or in the financial-banking sector, to implement strict security measures cybernetics. However, in the past, the entry into force of such laws has been delayed in Romania, and management cannot predict or influence such situations in the future, which may have a direct impact on the realization of forecasts.

Key personnel risk – the success and ability to deliver projects to clients is highly dependent on staff skills, motivation and loyalty. The Romanian IT market is very competitive and there are risks that employees may leave the company. To manage these risks, Safetech has adapted a number of measures: offering a competitive compensation package and promotion opportunities, constant recruitment even when there are no ongoing projects just to be able to always meet the growing demand from customers. In addition, the company actively recruits early-career IT specialists, offering them training and development opportunities. Due to this aspect, the share of salaries in the general costs of doing business is the most significant, but this helps the company to maintain its competitiveness. However, it is not guaranteed that Safetech will always be able to find the necessary number of qualified personnel, especially in the field of ethical hacking, which is highly specific and requires very specific skills.

The risk associated with making forecasts – financial forecasts start from the premise of fulfilling the business development plan. The company aims to periodically issue forecasts regarding the evolution of the main economic-financial indicators in order to provide potential investors and the capital market with a true and complete picture of the current situation and the future plans envisaged by the company, as well as current reports detailing the comparative elements between the forecasted data and the actual results obtained. The forecasts will be part of the annual reports, and the forecasting policy is published on the company's website HERE. Forecasts are made in a prudent manner, but there is a risk of their non-fulfilment, therefore, the data to be reported by the company may be significantly different from those forecasted or estimated, as a result of factors that were not previously foreseen or whose negative impact could not be counteracted or anticipated.

Price risk - in 2016, in order to reduce price risk, the management decided to change the business strategy and focus on value-added services to the detriment of the sale of hardware, which in previous years contributed a significant share of revenues, but instead had a small profit margin. Thus, since 2017, the company has adjusted its model, focusing on the delivery of value-added services and increasing profitability. Given the nature of Safetech's business, the risk of commoditization of the business, i.e. the risk of the service or technology becoming very widespread and widely adopted, is reduced because the company relies heavily on the skills of its team of ethical hackers. Since the cost of hiring qualified IT professionals is very high not only in Romania, but also in the whole world, the risk that a competitor could force the company to lower the price of services in order to maintain its position in the market is relatively low. However, the management actively monitors the local and international markets to be able to always provide value-added services and maintain a leading position in the local market.

Cash-flow risk – this represents the risk that the company will not be able to honor its payment obligations when due. A prudent cash-flow risk management policy involves maintaining a sufficient level of cash, cash equivalents and financial availability through appropriately contracted credit facilities. The Company monitors the level of forecasted cash inflows from the collection of trade receivables, as well as the level of forecasted cash outflows for the payment of trade and other payables. Thanks to this business model, which includes providing monitoring services for a fixed monthly fee, the company manages to maintain a healthy cash flow.

Credit risk – this is the risk that a third party natural or legal entity will not fulfill its obligations under a financial instrument or under a customer contract, thus leading to a financial loss. The Company is exposed to credit risk from its operating activities and its financial activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Company manages this risk by carefully selecting customers and having a strict procedure for documenting orders and the provision of services or delivery of goods.

Liquidity risk – liquidity risk is associated with holding immovable or financial assets. The company's activity does not depend on holding immovable or financial assets and turning them into liquid assets. The company does not own any financial assets. The fixed assets of the company, mainly technological equipment, are used in the current activity of providing services.

Currency risk – the possibility of recording losses from international commercial contracts or other economic relationships, due to changes in the exchange rate of the currency in the period between the conclusion of the contract and its maturity. As the company plans to expand into other international markets, from Europe or the US, it will be exposed to this type of risk.

Personal data protection risk – in the course of its business, the company collects, stores and uses data that is protected by personal data protection laws. Although the issuer takes precautionary measures to protect customer data, in accordance with the legal requirements regarding the protection of privacy, especially in the context of the implementation of the General Data Protection Regulation (EU) 2016/79 and in Romania (starting from May 25, 2018) , data leakage risks cannot be completely eliminated. The Company considers this risk and takes precautions to protect customer data in accordance with applicable legal requirements. The Issuer takes all necessary precautions in this area, but there is a possibility that, considering that it carries out commercial relations with various contractual partners, they may not fully comply with the relevant contractual terms and all the data protection obligations imposed on them.

Competition risk - the entry of new competitors into the market, especially from outside Romania, will intensify competition and put pressure on the company's activity, with the risk of recording a decrease in profit and even its insolvency.

The risk of loss of reputation - is a risk inherent in the company's activity, reputation being particularly important in the business environment, especially in its field of activity, cyber security. Reputational risk is inherent in Safetech's business. The ability to retain and attract new customers also depends on the recognition of the Safetech brand and its reputation for service quality in the market. A negative public opinion of the company could result from actual or perceived practices in the cybersecurity market in general, such as negligence during the provision of services or even the way Safetech conducts or is perceived to conduct its business.

General economic risks - the issuer's activities are sensitive to economic cycles and general economic conditions. Both international financial crises and the unstable economic environment can have significant negative effects on the activity, operational results and financial position of the issuer. Socio-political turmoil can also impact the company's business. The international financial markets felt the effects of the global financial crisis that started in 2008. These effects were also felt on the Romanian financial market in the form of the low liquidity of the capital market, as well as through an increase in medium-term financing interest rates, because of the global liquidity crisis. In the future, such a scenario could be repeated and possible significant losses suffered by the international financial market, with major implications on the local market, could affect the Issuer's ability to obtain new loans or financing, under sustainable conditions.

Pandemic risk - although ignored in the last decades, this risk (especially the risk of global epidemics, respectively the risk of pandemics) has returned to the public's attention. Although for some companies these may become opportunities, at least in the short term, the overall economic impact is considered to be negative. Thus, there are opinions that, depending on the nature and severity of the pandemic, it can induce recessions lasting a quarter, or even several years. In conditions where the reactions of the public authorities and/or the medical community would not be the right ones, there is even a risk of a depression that would lead to important reductions in economic activity and in the price of most assets. For example, in the first months of 2020, a coronavirus pandemic (SARS-COV-2), known as COVID-19, emerged. This pandemic has resulted in declines of more than 25% from their most recent highs for major stock indices globally. This has similarly influenced the local capital market. Moreover, internationally, most major asset classes have been severely negatively impacted, even those that traditionally function as havens for investors.

Fiscal and legal risk - the issuer is governed by Romanian legislation and even if Romanian legislation has been largely harmonized with European Union legislation, subsequent changes may occur, respectively new laws and regulations may be introduced, which may produce effects on the company's activity . Legislation in Romania is often unclear, subject to different interpretations and implementations and frequent changes. Both the modification of fiscal and legal legislation, as well as possible events generated by their application, can materialize in possible fines or lawsuits filed against the company, which can impact the activity of the issuer.

The risk associated with other types of litigation - in the context of the performance of its activity, the issuer is subject to a risk of litigation, among others, as a result of changes and development of legislation. The issuer may be affected by other contractual claims, complaints and litigation, including from counterparties with whom it has contractual relationships, customers, competitors or regulatory authorities, as well as any adverse publicity that such an event attracts. At the time of writing this report, Safetech Innovations S.A. was not involved in any litigation in an active or passive procedural capacity.

Risk of garnishment of the issuer's accounts - garnishment is an enforcement measure that can be applied to a company. Thus, the issuer's accounts may be blocked as a result of the seizure, if the issuer's creditors request this measure to recover their claims. The garnishment of the Company's accounts entails the blocking of the amounts in the garnished accounts and may lead to the difficulty or impossibility of the Company to honor its subsequent obligations, in the agreed terms.

Risk associated with insolvency and bankruptcy - Romanian bankruptcy and enforcement legislation does not offer the same level of rights, remedies and projections enjoyed by creditors under the legal regimes of other European Union jurisdictions. In particular, Romanian bankruptcy and enforcement law and practice may make the company's recovery of amounts related to secured and unsecured claims in Romanian courts much more difficult and time-consuming compared to other countries.

Risks related to investments in Romania, in an economic and political context **-** Romania's economy is vulnerable in conditions of regional or international recession, financial and economic problems at a general level can be felt more acutely in certain markets or 28 sectors. Also, political and social changes can be an unpredictable factor. Romania does not possess all the business, legal and regulatory infrastructure that would exist in a developed economy. The legislation is subject to varying interpretations and is frequently amended.

Geopolitical Risk – Safetech operates in a globalized market and therefore its business and revenues are interdependent on global macroeconomic conditions. International efforts to contain the spread of COVID-19 have had a significant negative effect on global macroeconomic conditions, which continue to cause economic uncertainty. In addition, the military conflict generated by the Russian Federation in Ukraine, instability in global credit markets, rising prices of essential commodities (oil, electricity, etc.), changes in public policies, such as domestic and international, such as regulations , international taxes or trade agreements, international trade disputes, changes in governments, geopolitical turmoil and other disruptions to global and regional economies and markets continue to add uncertainty to global economic conditions. The management estimates that currently the war does not have an impact on the financial situation. The long-term impact cannot be predicted, however, as of the date of these financial statements, the Company continues to fulfill its obligations as they fall due and, therefore, continues to apply the basis of preparation for the continuity of the activity.

Other risks - potential investors should consider that the risks presented above are the most significant risks of which the company is aware at the time of writing this report. However, the risks presented in this section do not necessarily include all those risks associated with the activity of the issuer, and the company cannot guarantee that it includes all relevant risks.
There may be other risk factors and uncertainties of which the company is not aware at the time of writing the report and which may change the actual results, financial conditions, performance and achievements of the issuer in the future and may lead to a decrease in the price of the company's shares. Investors should also undertake the necessary due diligence in order to make their own assessment of the investment opportunity.

Impact on the environment The professional activity of Safetech Innovations has no impact on the environment. There is no litigation and no litigation is expected to arise related to environmental protection.
The company is exposed to credit risk, liquidity risk and market risk (mainly currency risk). The Company's management oversees the management of these risks. All activities related to derivative financial instruments aimed at managing risks are carried out by teams of specialists who have the appropriate skills, experience and supervision. It is the Company's policy not to carry out transactions with derivative financial instruments for speculative purposes.

Currency risk - Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in exchange rates. The Company's exposure to the risk of changes in the exchange rate mainly refers to the Company's operating activities (when revenues or expenses are denominated in a currency other than the Company's functional currency).

The company has transactions in currencies other than its functional currency (RON).

The exposure to exchange rate risk (mainly due to the EUR and USD currencies) is not significant, so the Company does not use risk hedging instruments.

December 31, 2022	EUR	USD	GBP	RON	Total
Trade receivables	74.122	18.882	51.020	6.587.876	**6.731.899**
Cash and cash equivalents	122.833	18	1.007.745	3.361.741	**4.492.337**
Total assets (1)	**196.955**	**18.900**	**1.058.765**	**9.949.617**	**11.224.237**
Liability	839.561	0	38.647	5.305.722	**6.183.930**
Short term loans	0	0	7.302.928	0	**7.302.928**
Lease liabilities	307.068	0	0	0	**307.068**
Other current liabilities	264.901	0	0	1.362.081	**1.626.982**
Total debts (2)	**1.411.530**	**0**	**7.341.575**	**6.667.803**	**15.420.908**
Difference (1) - (2)	**(1.214.575)**	**18.900**	**(6.282.810)**	**3.281.814**	**(4.196.672)**

The detail of financial instruments in foreign currencies is presented as follows (the amounts are expressed in RON equivalent):

31 December 2023	**Total**
Trade receivables	6.731.899
Cash and cash equivalents	4.492.337
Total assets (1)	**11.224.237**
Liabilities	6.183.930
Short terms loans	7.302.928
Lease Liabilities	307.068
Other current liabilities	1.626.982
Total debts (2)	**15.420.908**
Difference (1) - (2)	**(4.196.672)**

31 December 2022	**Total**
Trade receivables	4.215.324
Cash and cash equivalents	6.384.367
Total assets (1)	**10.599.691**
Liabilities	**8.554.126**
Short terms loans	**-**
Lease Liabilities	**280.835**
Other current liabilities	**1.719.484**
Total liabilities (2)	**10.554.445**
Difference (1) - (2)	**45.246**

The sensitivity of the currency risk

The sensitivity to a reasonable possible change in the exchange rate of the US dollar and EUR (of 10%), all other variables being kept constant, of the Company's profit before taxation (due to changes in the value of monetary assets and liabilities) is considered by the Company to have in insignificant impact. The Company's exposure to currency changes in any other currencies is not significant.

(expressed in RON, unless otherwise specified)

Credit risk

Credit risk is the risk that a counterparty will not fulfill its obligations under a financial instrument or under a customer contract, thus leading to a financial loss. The company is exposed to credit risk from its operating activities (mainly for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

The credit risk of customers is managed by the Group, subject to the established policy; however, the Group considers that the credit risk on the receivables is small. The receivables balance is monitored at the end of each reporting period and any major delivery to a customer is analysed. Impairment indicators are analyzed at each reporting date.
The Group assesses the risk concentration regarding trade receivables as low.

Financial instruments and cash deposits

The credit risk resulting from balances at banks and financial institutions is managed by the Group's treasury department, according to the Group's policies. The Group's maximum exposure to credit risk for the components of the financial position statement is represented by the accounting values illustrated in Note 12.

Liquidity risk

The Group monitors its risk of facing a shortage of funds using a recurring liquidity planning tool.

On December 31, 2023, the Group has no long-term financing (neither from commercial partners, nor debts to financial institutions).

All the Group's debts on December 31, 2023 will be due in less than 1 year, with the exception of the leasing debt.

The table below details the maturity profile of the Group's trade receivables and financial liabilities:

On December 31, 2023	**<30 days**	**30 – 60 days**	**60 - 120 Days**	**>120 days**	**Total**
Trade and other receivables	5.805.146	610.810	3.594	312.350	**6.731.899**
Cash and cash equivalents	4.492.337	0	0	0	**4.492.337**
Total Assets	**10.297.483**	**610.810**	**3.594**	**312.350**	**11.224.237**
Trade payables	5.447.791	442.613	196.374	97.152	**6.183.930**
Financial debts	1.626.982	0	0	0	**1.626.982**
Lease liabilities	24.167	24.222	48.608	210.072	**307.068**
Short term loans	0	0	0	7.302.928	**7.302.928**
Total liabilities	**7.074.773**	**442.613**	**196.374**	**7.707.149**	**15.420.908**

20. SUBSEQUENT EVENTS

On February 13, 2024, the mother company signed a significant contract whose value exceeds 10% of the total revenues related to the last annual financial statements, with the object of providing software products to ensure application-level protection mechanisms and the purchase of access services to Threat Intelligence sources, for infrastructure security, software solution with centralized management for application level protection. The contract has a total value of 3,563,280 lei (without VAT) and was concluded for a period of 30 days from the date of conclusion of the contract.

On March 11, 2024, Safetech Innovations announced the establishment of a subsidiary in the Kingdom of Saudi Arabia based in Riyadh. The company owns 100% of the share capital of the established subsidiary, and the new entity will be managed by Mr. Victor Gânsac.

21. EXPENSES WITH AUDIT FEES

In 2023, the auditor of the group was Baker Tilly Klitou and Partners SRL according to contract no. 311/20.04.2022.