Q1 2024 FINANCIAL REPORT

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

BVB: SAFE

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TABLE OF CONTENTS

ISSUER INFORMATION

INFORMATION ABOUT THIS FINANCIAL REPORT

The report type	Quarterly Report, Q1 2024
For financial period	01.01.2024 – 31.03.2024
Report publishing date	13.05.2024
According to	Annex 13 to FSA Regulation 5/2018

ISSUER INFORMATION

Name	Safetech Innovations SA
Fiscal Code	28239696
Trade registry number	J40/3550/2011
Registered office	12-14 Frunzei street, District 2, Bucharest

INFORMATION ABOUT FINANCIAL INSTRUMENTS

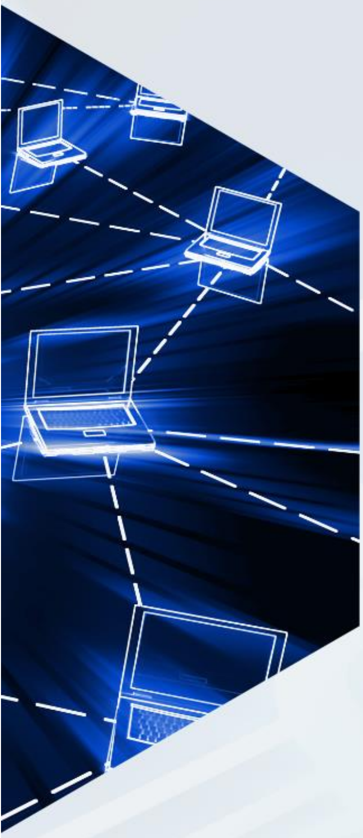
Subscribed and paid-up capital	13,616,540 lei
Market on which the securities are traded	Bucharest Stock Exchange, Main Segment, Standard Category
Total number of shares	68,082,700 shares
Symbol	SAFE

CONTACT DETAILS FOR INVESTORS

Phone number	+40 754 908 742
E-mail	investors@safetech.ro
Website	www.safetech.ro

The interim financial statements as of March 31, 2024 presented on the following pages are individual and consolidated and **unaudited.**

Q1 2024 KEY INDICATORS (INDIVIDUAL)



REVENUES

11.9 MILLION LEI

+90% vs. Q1 2023

TURNOVER

11.7 MILLION LEI

+95% vs. Q1 2023

GROSS RESULT

3.2 MILLION LEI

+132% vs. Q1 2023

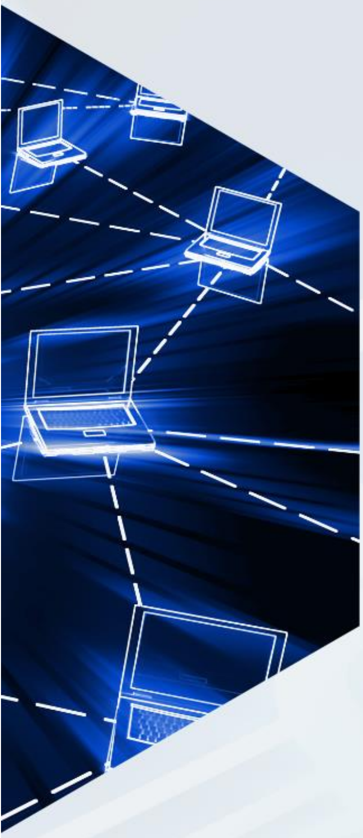
NET RESULT

2.7 MILLION LEI

+136% vs. Q1 2023

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

Q1 2024 KEY INDICATORS (CONSOLIDATED)



REVENUES
12.2 MILLION LEI
+93% vs. Q1 2023

TURNOVER
11.9 MILLION LEI
+99% vs. Q1 2023

GROSS RESULT
1.8 MILLION LEI
+277% vs. Q1 2023

NET RESULT
1.4 MILLION LEI
+409% vs. Q1 2023

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

ABOUT SAFETECH INNOVATIONS

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.

Safetech Innovations had 61 full-time employees as of March 31, 2024, an increase of 11 new colleagues compared to the same period last year.

KEY EVENTS IN Q1 2024 AND AFTER THE CLOSING OF THE REPORTING PERIOD

CONCLUSION OF A SIGNIFICANT CONTRACT

On **February 13, 2024**, the Company informed the market about the signing of a significant contract which value exceeded 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 had 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.

OGMS&EGMS DATED 17.04.2024

On **March 12, 2024**, Safetech's Board of Directors decided to convene the Ordinary and Extraordinary General Meetings of the Company's Shareholders for **April 17, 2024**. The legal and statutory quorum related to the meeting was constituted at the first call.

The key points approved during the two meetings were:

(i) Election of a new Board of Directors of the Company, consisting of Mr. Victor Gânsac, Mircea Varga and Alexandru Mihailciuc, for a mandate valid until 30.04.2026;

(ii) Approval of the appointment of Baker Tilly Klitou and Partners S.R.L. as auditor of the Company, for a mandate valid until 30.04.2026;

(iii) Approval of the Revenue and Expenditure Budget for the year 2024, as presented below:

2024 REVENUE AND EXPENDITURE BUDGET (RON)	CONSOLIDATED BUDGET	RO BUDGET	UK BUDGET	SAUDI ARABIA BUDGET
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
Income from intangible assets	8,700,000	8,700,000	-	-
Other operating revenues	400,000	400,000	-	-
Other subsidy incomes	1,400,000	1,400,000	-	-
Financial income	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
Material expenses	29,760,500	24,300,000	4,006,500	1,454,000

Financial expenses	332,000	200,000	30,000	102,000
Amortization	4,322,000	4,200,000	1,638,000	
Gross profit	**15,821,500**	**16,430,000**	**(2,485,500)**	**361,000**
Tax	2,768,998	2,628,800	-	140,198
Net income	**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*

(iv) Approval of the increase of the share capital by the amount of RON 316,540, from RON 13,300,000 to RON 13,616,540, through the issuance of 1,582,700 new shares with a nominal value of RON 0.2 per share, following the incorporation of RON 316,540 from the reserves related to the year 2022. The distribution of the newly issued shares will be made in the proportion of 0.0238 free share to 1 share held, the purpose of the increase being to issue available shares so that the Company can fulfill its obligations undertaken in the Stock Option Plan approved at the level of the Company.

As part of the increase, shareholders registered in the shareholders' register on the registration date (17.05.2024) will have a period of 10 (ten) days to express one of the following options:

- to receive the free shares due to them, according to the allocation index of 0.0238 free shares for each share held on the registration date;
- receive the nominal value due, for the total number of free shares to which they would be entitled, according to the allocation index of 0.0238 free shares for each share held on the record date.

APPOINTMENT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS, CEO AND THE MEMBERS OF THE COMMITTEES

On **April 17, 2024**, Safetech Innovations informed its shareholders about the appointment of Mr. Victor Gânsac as Chairman of the Board of Directors, respectively CEO of the Company.

Through the same decision of the Board of Directors, the composition of the Risk and Audit Committee was decided, which will consist of Mircea Varga (Chairman) and Alexandru Mihailciuc (Member), as well as the Nomination and Remuneration Committee, consisting of Alexandru Mihailciuc (Chairman), respectively Mircea Varga (Member).

REGISTRATION WITH THE TRADE REGISTRY OF THE INCREASE IN SHARE CAPITAL

On **April 25, 2024**, the Company informed the shareholders about the registration with the Trade Register of the share capital increase approved within the OGMS dated April 17, 2024.

Following the registration with the Trade Registry, the new subscribed and paid-up share capital of the Company is RON 13,616,540, divided into 68,082,700 ordinary shares with a nominal value of RON 0.2 per share.

ANALYSIS OF THE FINANCIAL RESULTS

INDIVIDUAL P&L ANALYSIS

In the first three months of 2024 the Company's turnover amounted to 11.7 million lei, a 95% increase compared to the same period last year. In the first three months of the year, cybersecurity services contributed 30% to the total turnover and implementation of cybersecurity solutions contributed 70%. In Q1 2024, Safetech Innovations gained 12 new clients from the Romanian market.

Other operating revenues decreased by 19% in Q1 2024, up to 220K lei, the major share of these 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 Q1 2024, the highest contribution was made by expenses with raw materials and consumables, which increased 75% compared to the same period last year and reached 5.3 million lei. This increase is driven by the larger size of the business and represents the cost of implemented solutions. The second major cost is represented by employee benefits expenses, which increased by 14% compared to Q1 2023, reaching 3.2 million lei. As of March 31, 2024, the Company had 61 employees, compared to 50 employees as of March 31, 2023.

Other operating expenses remained constant, increasing only by 1% in the first three months of this year, up to 1.2 million lei. This category includes goods, third-party services, royalty expenses, management premises and postal and telecommunications taxes.

Depreciation and amortization decreased by 22% in Q1 2024, up to 525K lei and represents fixed assets, such as laptops, furniture, monitors, as well as a process automation solution acquired in 2021 as part of the EU research and development project necessary to carry out the activity to increase the competitiveness of the company. These elements generate expenses with monthly amortization, by amortizing them using the straight-line method.

The category of provisions, in the amount of 220K lei, represents the resumption of provisions for holidays not taken in 2023.

The operating result in the first three months of 2024 reached 3.2 million lei, a 141% increase compared to the same period last year, due to the larger scale of business, revenues generated by contracts gained throughout 2023, and as a result of the increased focus on higher-margin services.

Financial expenses increased by 37% compared to the same period last year, reaching 49K lei. At the same time, financial revenues decreased by 86% in Q1 2024, up to 9K lei. Therefore, the gross result for the first quarter of 2024 was 3.2 million lei, a 132% increase compared to the first quarter of 2023. The income tax increased to 450K lei in the first three months of this year, a 111% increase, in line with the increase in gross profit. Therefore, the net result for the first quarter of this year was 2.7 million lei, a 136% increase compared to the same period last year.

INDIVIDUAL P&L INDICATORS (RON)	31/03/2024	31/03/2023	Δ %
Turnover	11,731,578	6,011,099	95%
Operating result	3,227,538	1,340,457	141%
Gross result	3,187,616	1,371,551	132%
Net result	**2,737,940**	**1,158,731**	**136%**

INDIVIDUAL BALANCE SHEET ANALYSIS

As of March 31, 2024, total assets reached 61.5 million lei, a 7% increase compared to the end of 2023, driven by an 9% increase in intangible assets, to 44,2 million lei. Fixed assets increased by 8% in the first three months of 2024, reaching 50.4 million lei, as a result of the 9% 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.

The category of current assets consists primarily of receivables, which as of March 31, 2024 reached 7.9 million lei, up 10% compared to December 31, 2023. Trade receivables increased in the first three months of the year, as a result of new contracts that were delivered and invoiced in the first three months of 2024 and have not yet reached payment date. These will be in majority collected throughout the first half of this year. Cash and cash equivalents reached 2.6 million lei as of March 31, 2024, a 26% decrease compared to December 31, 2023. This decrease is determined by continued investments in the expansion and professionalization of the sales team in Romania.

As of March 31, 2024, equity reached 37.7 million lei, an 8% increase compared to December 31, 2023, due to the 16% increase in retained earnings, up to 19.8 million lei.

Non-current liabilities decreased by 1% in the first three months of this year, reaching 14.3 million lei. This decrease is determined by the decrease in the value of investment subsidies, which as of March 31, 2024, amounted to 13.1 million lei, a 2% decrease compared to December 31, 2023, representing subsidies related to projects from non-reimbursable funds that are in execution. In terms of bank liabilities, this position is composed only of leasing contracts, the value of which increased by 8% as of March 31, 2024, reaching 1,2 million lei.

Current liabilities reached 9.6 million lei as of March 31, 2024, an increase of 14%, driven by a 62% increase in other current liabilities (which include employee salaries, VAT and payroll taxes and duties), up to 2.2 million lei. Liabilities related to leasing contracts increased by 22% in the first three months of the year, reaching 374K lei, while trade and other payables reached 6.3 million lei, an increase of 2% compared to December 31, 2023.

The provisions were extinguished in the first three months of 2024, the variation in provisions being generated by their reiteration in income, representing the equivalent value of holidays not taken in 2023.

INDIVIDUAL BALANCE SHEET INDICATORS (RON)	31/03/2024	31/12/2023	Δ %
Fixed assets	50,453,336	46,668,740	8%
Current assets	11,077,941	11,065,818	0%
Total assets	**61,531,277**	**57,734,558**	**7%**
Equity	37,680,340	34,942,401	8%
Non-current	14,294,646	14,432,658	-1%
Current liabilities	9,556,291	8,359,498	14%
Total equity and liabilities	**61,531,277**	**57,734,557**	**7%**

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 Q1 2024, the Company recorded a consolidated turnover of 11.9 million lei, an increase of 99% compared to the same period of 2023, in the first quarter of the year the UK entity generating revenues of approximately 200K lei.

In terms of expenses, the key differences versus individual results are the expenses with employee benefits increased by 25% in Q1 2024, compared to Q1 2023, reaching 4.3 million lei, with approximately 1 million lei representing the salaries at the subsidiary level. Rent expenses increased in Q1 2024 by 43% compared to the same period last year, reaching 65K lei, the increase mainly representing the rent costs generated by the expansion of the Romanian office and the increase in rent. Other operating expenses increased by 5%, up to 1.5 million lei.

Therefore, the consolidated gross result related to Q1 2024 was 1.8 million lei, an increase of 277% compared to the previous year. Income tax increased by 111% to 450K lei in Q1 2024. Therefore, the net result for the first quarter of 2024 was 1.4 million lei, an increase of 409% compared to the same period of 2023.

CONSOLIDATED P&L INDICATORS (RON)	31/03/2024	31/03/2023	Δ %
Turnover	11,937,871	6,011,009	99%
Operating result	1,986,783	449,935	342%
Gross result	1,812,262	480,339	277%
Net result	**1,362,587**	**267,519**	**409%**

CONSOLIDATED BALANCE SHEET ANALYSIS

On a consolidated level, on March 31, 2024, fixed assets amounted to 47 million lei, an increase of 10% compared to December 31, 2023, while current assets recorded a value of 11.5 million lei, a decrease of 7%. Current liabilities amounted to 17.9 million lei, an increase of 12%, and long-term liabilities remained constant compared to the end of 2023, with a value of 14.4 million lei. Equity reached 26.1 million lei, registering an 5% increase.

CONSOLIDATED BALANCE SHEET INDICATORS (RON)	31/03/2024	31/12/2023	Δ %
Fixed assets	46,959,128	42,875,783	10%
Current assets	11,461,646	12,273,316	-7%
Total assets	**58,420,774**	**55,149,100**	**6%**
Equity	29,585,753	27,465,237	8%
Non-current	14,442,554	14,432,657	0%
Current liabilities	17,877,746	15,965,975	12%
Total equity and liabilities	**58,420,774**	**55,149,100**	**6%**

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INDIVIDUAL PROFIT AND LOSS ACCOUNT

PROFIT AND LOSS ACCOUNT (RON)	31/03/2024	31/03/2023	Δ %
Turnover	**11,731,578**	**6,011,099**	**95%**
Other operating revenues	219,850	271,142	-19%
Revenue from the production of fixed assets	3,275,720	2,720,068	20%
Raw materials and consumables	(5,274,048)	(3,005,836)	75%
Merchandise	(1,945,181)	-	100%
Employee benefit expenses	(3,244,112)	(2,846,200)	14%
Depreciation and amortization	(525,024)	(671,518)	-22%
Marketing and advertising expenses	(36,877)	(60,400)	-39%
Rental expenses	(5,504)	(1,737)	217%
Provisions	220,200	98,878	123%
Other operating expenses	(1,189,064)	(1,174,949)	1%
Operating result	**3,227,538**	**1,340,457**	**141%**
Financial income	9,438	67,181	-86%
Financial expenses	(49,360)	(36,087)	37%
Gross result	**3,187,616**	**1,371,551**	**132%**
Income tax	(449,676)	(212,820)	111%
Net result	**2,737,940**	**1,158,731**	**136%**

INDIVIDUAL BALANCE SHEET

BALANCE SHEET INDICATORS (RON)	31/03/2024	31/12/2023	Δ %
Fixed assets			
Tangible assets	602,388	555,451	8%
Right of use assets	1,393,691	1,253,788	11%
Intangible assets	44,178,532	40,612,935	9%
Investments in affiliated entities	3,912,041	3,912,041	0%
Other non-current assets	303,892	271,733	12%
Deferred income tax	62,792	62,792	0%
Total fixed assets	**50,453,336**	**46,668,740**	**8%**
Current assets			
Inventories	571,403	400,699	43%
Trade receivables and other receivables	7,914,084	7,179,130	10%
Cash and cash equivalents	2,592,454	3,485,989	-26%
Total current assets	**11,077,941**	**11,065,818**	**0%**
Total assets	**61,531,277**	**57,734,558**	**7%**
Equity and liabilities			
Subscribed and paid-up capital	13,300,000	13,300,000	0%
Share premium	2,865,991	2,865,991	0%
Legal and other reserves	1,670,846	1,670,846	0%
Retained Earnings / (Losses)	19,843,503	17,105,564	16%
Total equity	**37,680,340**	**34,942,401**	**8%**
Non-current liabilities			
Investment subsidies	13,130,357	13,350,207	-2%
Liabilities related to leasing contracts	1,164,289	1,082,451	8%
Total non-current liabilities	**14,294,646**	**14,432,658**	**-1%**
Current liabilities			
Trade and other payables	6,271,730	6,145,283	2%
Corporate tax liabilities	701,119	324,866	116%
Liabilities related to leasing contracts	373,763	307,068	22%
Other current liabilities	2,209,679	1,362,081	62%
Provisions	-	220,200	-100%
Total current liabilities	**9,556,291**	**8,359,498**	**14%**
Total liabilities	**23,850,937**	**22,792,156**	**5%**
Total equity and liabilities	**61,531,277**	**57,734,557**	**7%**

INDIVIDUAL KEY FINANCIAL RATIOS

Current ratio as of 31.03.2024

$$\frac{\text{Current assets}}{\text{Current liabilities}} \quad \frac{11{,}077{,}941}{9{,}556{,}291} \quad \mathbf{= 1.16}$$

Debt to ratio as of 31.03.2024

$$\frac{\text{Borrowed capital}}{\text{Equity}} \times 100 \quad \frac{0}{37{,}680{,}340} \times 100 \quad \mathbf{= 0\ \%}$$

$$\frac{\text{Borrowed capital}}{\text{Employed capital}} \times 100 \quad \frac{0}{37{,}680{,}340} \times 100 \quad \mathbf{= 0\ \%}$$

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

Fixed assets turnover as of 31.03.2024

$$\frac{\text{Turnover}}{\text{Fixed assets}} \quad \frac{11{,}731{,}578}{50{,}453{,}336} \quad \mathbf{= 0.23}$$

CONSOLIDATED PROFIT AND LOSS ACCOUNT

PROFIT AND LOSS ACCOUNT (RON)	31/03/2024	31/03/2023	Δ %
Turnover	**11,937,871**	**6,011,009**	**99%**
Other operating revenues	220,234	287,645	-23%
Income from the production of intangible assets	3,275,720	2,720,068	20%
Raw materials and consumables	(5,274,048)	(3,005,836)	75%
Merchandise	(1,945,181)	-	100%
Employee benefit expenses	(4,295,310)	(3,434,267)	25%
Depreciation, amortization and Gw impairment	(530,819)	(673,109)	-21%
Marketing and advertising expenses	(56,733)	(77,268)	-27%
Rental expenses	(65,078)	(45,611)	43%
Provisions	220,200	98,878	123%
Other operating expenses	(1,500,073)	(1,431,575)	5%
Operating result	**1,986,783**	**449,935**	**342%**
Financial income	9,438	67,181	-86%
Financial expenses	(183,958)	(36,777)	400%
Gross result	**1,812,262**	**480,339**	**277%**
Income tax	(449,675)	(212,820)	111%
Net result	**1,362,587**	**267,519**	**409%**

CONSOLIDATED BALANCE SHEET

BALANCE SHEET INDICATORS (RON)	31/03/2024	31/12/2023	Δ %
Fixed assets			
Tangible assets	692,262	647,803	7%
Right of use assets	1,689,506	1,253,788	35%
Intangible assets	44,210,676	40,639,667	9%
Deferred income tax	62,792	62,792	0%
Other non-current assets	303,892	271,733	12%
Total fixed assets	**46,959,128**	**42,875,783**	**10%**
Current assets			
Inventories	571,403	400,699	43%
Trade receivables and other receivables	8,070,312	7,230,151	12%
Other current financial assets	47,164	150,129	-69%
Cash and cash equivalents	2,772,767	4,492,337	38%
Total current assets	**11,461,646**	**12,273,316**	**-7%**
Total assets	**58,420,774**	**55,149,100**	**6%**
Equity and liabilities			
Subscribed and paid-up capital	13,300,000	13,300,000	0%
Share premium	2,865,991	2,865,991	0%
Legal and other reserves	1,670,846	1,670,846	0%
Retained Earnings / (Losses)	11,766,550	9,768,321	20%
Translation differences	(17,634)	(139,921)	-87%
Total equity	**26,100,475**	**24,750,467**	**5%**
Non-current liabilities			
Liabilities related to leasing contracts	1,312,197	1,082,451	21%
Subsidies	13,130,357	13,350,207	-2%
Total non-current liabilities	**14,442,554**	**14,432,657**	**0%**
Current liabilities			
Trade and other payables	6,315,981	6,183,930	2%
Corporate tax liabilities	701,118	324,866	116%
Short-term borrowings	7,999,172	7,302,928	10%
Liabilities related to leasing contracts	521,671	307,068	70%
Other current liabilities	2,339,804	1,626,983	44%
Provisions	-	220,200	-100%
Total current liabilities	**17,877,746**	**15,965,975**	**12%**
Total liabilities	**32,320,299**	**30,398,633**	**6%**
Total equity and liabilities	**58,420,774**	**55,149,100**	**6%**

CONSOLIDATED KEY FINANCIAL RATIOS

Current ratio as of 31.03.2024

$$\frac{\text{Current assets}}{\text{Current liabilities}} \quad \frac{11{,}461{,}646}{17{,}877{,}746} = 0.64$$

Debt to ratio as of 31.03.2024

$$\frac{\text{Borrowed capital}}{\text{Equity}} \times 100 \quad \frac{0}{26{,}100{,}475} \times 100 = 0\%$$

$$\frac{\text{Borrowed capital}}{\text{Employed capital}} \times 100 \quad \frac{0}{26{,}100{,}475} \times 100 = 0\%$$

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

Fixed assets turnover as of 31.03.2024

$$\frac{\text{Turnover}}{\text{Fixed assets}} \quad \frac{11{,}937{,}871}{46{,}959{,}128} = 0.25$$

DECLARATION OF THE MANAGEMENT

Bucharest, May 13, 2024

I confirm, according to the best of my knowledge, that the individual and consolidated financial results for the period between 01.01.2024 and 31.03.2024 give a true and fair view of the assets, liabilities, financial position and profit and loss situation of Safetech Innovations SA and that the management report provides a true and fair view of the important events that took place in the first three months of the 2024 financial year and their impact on the company's financial statements.

Victor Gansac

Chairman of the Board of Directors

SAFETECH INNOVATIONS S.A.

Financial statements for 3-month period ended 31 March 2024

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

Date: 08.05.2024

CONTENTS

STATEMENT OF COMPREHENSIVE INCOME

	Nota	March 31, 2024 RON	March 31, 2023 RON
Turnover	**5.1**	**11.731.578**	**6.011.099**
Other operating income	6.1	219.850	271.142
Income from the production of fixed assets	10	3.275.720	2.720.068
Raw materials and consumables used	5.2	(5.274.048)	(3.005.836)
Merchandise	5.2	(1.945.181)	-
Employee benefits expenses	6.5	(3.244.112)	(2.846.200)
Depreciation and amortisation	9	(525.024)	(671.518)
Marketing and advertising expenses		(36.877)	(60.400)
Rental expenses		(5.504)	(1.737)
Provisions		220.200	98.878
Other expenses	6.2	(1.189.064)	(1.174.949)
Operating profit		**3.227.538**	**1.340.457**
Financial Income	6.4	9.438	67.181
Financial Expenses	6.3	(49.360)	(36.087)
Profit/(Loss) before tax		**3.187.616**	**1.371.551**
Income Tax	7	(449.676)	(212.820)
Net profit of the financial exercise		**2.737.940**	**1.158.731**
Other elements of the overall result		**0**	**0**
The number of shares		**66.500.000**	**66.500.000**
Basic and net diluted result per share		**0,041**	**0,017**

SAFETECH INNOVATIONS S.A.
Financial Statements for the 3-month period ending March 31, 2024 prepared in accordance with International Financial Reporting Standards

STATEMENT OF FINANCIAL POSITION

	Note	31 March 2024	31 December 2023
Non - current assets			
Property, plant and equipment	9	602.388	555.451
Right of use assets	9	1.393.691	1.253.788
Intangible assets	10	44.178.532	40.612.935
Investements in related companies	11	3.912.041	3.912.041
Other non - current assets		303.892	271.733
Deferred tax assets		62.792	62.792
Total non-current assets		**50.453.336**	**46.668.740**
Current assets			
Inventories	12	571.403	400.699
Trade and other receivables	13	7.914.084	7.179.130
Cash and cash equivalents	14	2.592.454	3.485.989
Total currect assets		**11.077.941**	**11.065.818**
Total assets		**61.531.277**	**57.734.558**
Equity and liabilities			
Issued share Capital		13.300.000	13.300.000
Share premium at nominal value		2.865.991	2.865.991
Legal and other reserves		1.670.846	1.670.746
Retained earnings / (Accumulated Losses)		19.843.503	17.105.564
Total equity	14	**37.680.340**	**34.942.401**
Long-term debt			
Subsidies	10	13.130.357	13.350.207
Long term lease liabitlies		1.164.289	1.082.451
Total Non - Current Liabilities		**14.294.646**	**14.432.658**
Current liabilities			
Trade accounts payable	17	6.271.730	6.145.283
Income taxes payable		701.119	324.866
Current term lease liability		373.763	307.068
Other current liabilities	17	2.209.679	1.362.081
Short-term provisions		-	220.200
Total current liabilities		**9.556.291**	**8.359.498**
Total liabilities		**23.850.937**	**22.792.156**
Total equity and liabilities		**61.531.277**	**57.734.557**

STATEMENT OF CHANGES IN SHAREHOLDER`S EQUITY

	Share capital	Share premium	Own Shares	Other elements of equity	Reserves	Retained earnings	Total
Balance as of Jan 1, 2024	**13.300.000**	**2.865.991**	**-**	**-**	**1.670.846**	**17.105.564**	**34.942.401**
Net profit for the year	-	-	**-**	**-**	**-**	2.737.939	2.737.939
Increase in share capital	-	-	**-**	**-**	**-**	**-**	**-**
Establishment of legal reserve	-	-	**-**	**-**	**-**	**-**	**-**
Increase in share premium	-	-	**-**	**-**	**-**	**-**	**-**
The increase from the purchase of own shares	-	-	**-**	**-**	**-**	**-**	**-**
Allocation to dividends	-	-	**-**	**-**	**-**	**-**	**-**
Depreciation reserve from revaluation	-	-	**-**	**-**	**-**	**-**	**-**
Deferred tax reserve revaluation	-	-	**-**	**-**	**-**	**-**	**-**
Balance as of March 31, 2024	**13.300.000**	**2.865.991**	**-**	**-**	**1.670.846**	**19.843.503**	**37.680.340**

	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)**	**-**	-	-
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 March 31, 2023	**13.300.000**	**2.865.991**	**-**	**-**	**1.670.846**	**17.105.564**	**34.942.401**

STATEMENT OF CASH FLOW

		31 March 2024	31 March 2023
Cash flows from operating activities			
Profit before tax		**3.187.616**	**1.371.551**
Depreciation and amortisation		427.521	608.797
Depreciation related to RUA		97.503	62.721
Benefits employes		-	221.620
Movements in provisions		(220.200)	(98.878)
Interest revenues	6.4.	(236)	(32.028)
Interest expenses	6.3.	30.237	24.290
Operating profit before working capital changes		**13.130.311**	**15.149.831**
Change in inventories	12	(170.704)	-
Change in trade and other receivable	13	(734.955)	3.946.662
Change in trade and other payable	17	1.048.067	(4.690.155)
Change in deferred income tax	7	-	2.645
Cash generated from/ (used in) operations		**3.664.849**	**1.417.225**
Interest paid		(30.237)	(24.290)
Income tax paid		(73.423)	-
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		(32.159)	(72.214)
Purchases of intangibles	10	(4.023.954)	(2.792.302)
Purchase of property, plant and equipment	9	(60.611)	(441.387)
Interest received		236	32.028
Interest paid			
Payments for investments in affiliated entities			-
Net cash used in investing activities		**(4.116.488)**	**(3.273.875)**
Cash flows from financing activities			
Subsidies		(219.850)	586.544
Payments of lease liabilties		(118.386)	(101.854)
Net cash from/ (used in) in financing activities		**(338.236)**	**(484.690)**
Net increase in cash and cash equivalents		(893.535)	(1.396.251)
Cash and cash equivalents at 1 January 2023/ 1 January 2024		**3.485.989**	**3.545.474**
Cash and cash equivalents at 31 December 2023/ 31 December 2024		**2.592.454**	**2.149.223**

1. GENERAL INFORMATION

The headquarters of Safetech Innovation S.A. is located in Frunzei 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 (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 capitalized the entity Safetech Innovations Global Services Limited.

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 27, 2024, the Company published the Revenue and Expenditure Budget for the fiscal year 2024. 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 17 April 2024.

	31 March 2024	**31 March 2023**
Number of employees	61	50

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Declaration of conformity

The financial statements of the Company 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).

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 March 31, 2024, the Company's current assets exceed current liabilities by RON 1.521.650 (on March 31, 2023, current assets exceed current liabilities by RON 7.627.463). On the same date, the Company recorded a global result of 2.737.940 RON (March 31, 2023: 1.158.731 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 2023 and 2024.
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 has 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
March 31, 2023	4.9491	4.5463
December 31, 2023	4.9746	4.4958
March 31, 2024	4.9695	4.6078

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 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.

Impairment of financial assets: 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

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 company determines the classification of its financial liabilities upon initial recognition.

Subsequent evaluation: 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.

Derecognition: 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 01.01.2023:

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 25.06.2020, 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 01.01.2023.
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 23.05.2023, 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 2024, 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 March 2024	31 March 2023
Internal sales	11.674.387	5.936.571
External sales	57.191	74.438
Total turnover	**11.731.578**	**6.011.009**

5.2. Raw materials and consumables used

Raw materials and consumables used

	31 March 2024	31 March 2023
Raw materials	5.246.704	2.967.582
Fuel materials and spare parts	30.540	5.982
Merchandise	9.959.197	-
Supplies	5.262	4.821
Inventory items	79.438	25.790
Others	4.057	1.661
Total	**7.219.229**	**3.005.836**

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

The Company presents the following operating income:

	31 march 2024	31 march 2023
Income from operating subsidies	135.290	175.684
Income from subsidies for investments	84.559	84.550
Income/(expenses) from the sale of assets	-	-
Other operating revenues	1	10.908
Total other operating income	**219.850**	**271.142**

6.2 Oher expenses

	1 January- 31 March 2024	1 January- 31 March 2023
Services	827.643	832.127
Telecommunication services	28.628	33.902
Sponsorship	50.000	53.900
Insurance	59.494	21.896
Utilities	17.543	25.105
Travel expenses	81.456	64.977
Training	3.048	16.748
Maintenance	6.603	16.324
Other	114.649	110.371
Total	**1.189.064**	**1.174.949**

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

	1 January- 31 March 2024	1 January- 31 March 2024
Interest expense	30.327	24.290
Expenses with exchange rate differences	19.123	11.796
Other financial expenses	-	-
Total	**49.360**	**36.087**

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

6.4 Financial income

Financial income

	1 January- 31 March 2024	1 January- 31 March 2023
Gains on exchange rate differences	9.202	35.153
Interest income	236	32.028
Total	**9.438**	**67.181**

6.5 Employee benefit expenses

Salary expenses

	1 January- 31 March 2024	1 January- 31 March 2023
Wages	3.164.414	2.564.583
Payroll taxes	79.698	59.997
Wage benefits (meal vouchers)	-	221.620
Total	**3.244.112**	**2.846.200**

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.

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 March 2024**	**1 January - 31 March 2023**
Current profit tax	449.676	210.175
Deferred tax (expense (income)	-	2.645
Total	**449.676**	**212.820**

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 March 31, 2024 is 66,500,000.

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

CORPORATE FIXED ASSETS

	Land buildings &pipes	Improve ments building	Machinery Vehicles, office, equipment	Furniture, office supplies, protective equipment	Total
Gross value on 1 Jan 2024	**2.350.569**	**415.595**	**2.998.185**	**499.588**	**6.263.938**
Additions	237.408	21.335	39.275	-	**298.019**
Revaluation	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
Gross value on March 2024	**2.587.978**	**436.930**	**3.037.461**	**499.588**	**6.561.957**
Amortization and depreciation on January 1, 2024	**1.096.781**	**62.774**	**2.877.016**	**418.126**	**4.454.698**
Amortization in the year	97.505	346	6.262	7.063	**111.179**
Disposals	-		-	-	-
Transfers	-		-	-	-
Amortization and depreciation on 31 March 2024	**1.194.287**	**63.120**	**2.883.282**	**425.189**	**4.565.877**
Net Book Value 31 March 2024	**1.393.691**	**373.810**	**154.179**	**74.399**	**1.996.079**

	Land buildings &pipes	Improvem ents building	Machinery Vehicles, office, equipment	Plant & equipment	Tangible immobilizat ions 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		**415.595**				**6.263.938**

	Land buildings &pipes	Improvements building	Machinery Vehicles, office, equipment	Plant & equipment	Tangible immobilizations in progress	Total
value on 31 Dec 2023	**2.350.569**		**2.998.185**	**499.588**		
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**

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 2024 - March 2024:

At January 1, 2024	**1.389.518**
Additions	237.408
Interest associated with the leasing debt	29.879
Lease payments	118.389
Debt revaluation	(368)
At 31 march 2024	**1.538.052**

2024	
	97.505

Depreciation of assets related to the right of use	
Interest expense related to the leasing debt	29.879
Total expenses recognized in the profit and loss account	**127.384**

At 1 january 2023	**1.284.906**
Additions	371.901
Interest associated with the leasing debt	102.416
Lease payments	431.030
Debt revaluation	61325
At 31 december 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 associated with the leasing debt	102.416
Total expenses recognized in the profit and loss account	**391.325**

	31 march 2024	31 december 2023
Short-term leasing debt	373.763	307,068
Long-term leasing debt	1.164.289	1,082,451
Total leasing debt	**1.538.052**	**1,389,518**

10. INTANGIBLE ASSETS

	Establishment expenses	Development expenses	Concessions, patents and other rights	Other intangible assets	Total
Costs on January 1 2024	**323.700**	**37.531.922**	**114.429**	**8.496.087**	**46.466.138**
Additions		3.275.720		748.234	**4.023.954**
Disposals				(44.510)	**(44.510)**
Transfers					
Costs as at 31 March 2024	**323.700**	**40.807.642**	**144.429**	**9.199.810**	**50.445.582**

	Establishment expenses	Development expenses	Concessions, patents and other rights	Other intangible assets	Total
Amortization and depreciation on January 1, 2025	**323.700**	**-**	**114.429**	**5.415.073**	**5.853.202**
Amortization in the year				413.847	**413.847**
Disposals					
Amortization and depreciation on March 31, 2024	**323.700**	**-**	**114.429**	**5.828.920**	**6.267.049**
Net book value at March 31, 2024	**-**	**40.807.642**	**-**	**3.370.891**	**44.178.532**

	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**

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 January- March 2024 important developments were made to the iSAM solution, in amount of RON 654 thousands, mainly representing software development employee costs, and subcontractors' costs.

SafePic - 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 January- March 2024, the project continued in accordance with the development plan for the sustainability period, the expenses being in the amount of RON 1.657 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 January- March 2024, developments worth 963 thousand RON were made, mainly representing the costs of software development employees.

11. INVESTMENTS IN AFFILIATED ENTITIES

On March 31, 2024, the Company holds shares in Safetech Innovations Global Services Limited.

Investments in affiliated entities	**31 January 2024**	**31 March 2024**
Shares - Safetech Innovations Global Services Limited	3.912.041	3.912.041

12. INVENTORIES

Inventories	**31 March 2024**	**31 December 2023**
Raw materials	477.896	269.429
Products	91.863	131.271
Supplies	1.644	-
Total	**571.403**	**400.699**

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The company has no slow-moving inventory.

13. TRADE RECEIVABLES AND OTHER / CURRENT RECEIVABLES

Trade receivables and other receivables	**31 March 2024**	**31 December 2023**
Total net trade receivables of which:	**7.450.088**	**6.835.481**
Trade receivables, of which	7.004.969	6.377.903
Trade receivables with affiliated companies	-	-
Uncertain trade receivables	186.104	186.104
Clients invoices to be drawn up	206.722	248.733
Other receivables	238.397	208.846
Minus		
Allowances for expected losses on receivables	(186.104)	(186.104)
Total other receivables of which:	**463.996**	**343.648**
Different debitors	277.841	198.541
Prepayments	160.488	141.323
Other current assets	25.667	3.785

14. CASH AND CASH EQUIVALENTS

	31 march 2024	31 december 2023
Cash at the bank in RON	2.581.066	3.361.349
Cash at the bank in foreign currency	1.626	124.640
Cash in hand	-	-
Other values	9.762	-
Total	**2.592.454**	**3.485.989**

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 March 2024**	**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 2023	66.500.000	13.300.000
At 31 march 2024	66.500.000	13.300.000

Share capital	**31 March 2024**	**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 March 31, 2024, 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

	31 March	**31 December**

Total other reserves included in capital components:	2023	2023
Legal reserves	1.646.302	1.646.302
Other reserves (other funds)	29.782	29.782
Reported result	17.105.564	7.367.115
Total other reserves	**18.781.648**	**9.043.199**

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 2024. 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 March 2024	31 December 2023
Local trade debts	6.264.366	5.661.979
Foreign trade debts	-	109.862
Liabilities for purchases of fixed assets	3.817	369.896
Advances received and other liabilities	3.547	3.547
Lease liabilities	1.538.052	1.389.519
Total	**7.809.782**	**7.534.803**

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

Other current liabilities	31 March 2024	31 December 2023
Wages	526.487	496.058
Contributions and taxes wages	527.444	495.457
VAT	1.152.115	338.543
Dividends	3.529	3.529
Revenues registered in advance	104	28.495
Other liabilities	**2.209.679**	**1.362.081**
Total	526.487	496.058

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 2024 and 2023:**

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

Administrators, directors and the supervisory committee

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

	31 March 2024	**31 March 2023**
Costs	93.000	93.000
Total	**93.000**	**93.000**

On March 31, 2024, the Company had a remunerated Board of Directors, the President of the Board of Directors being part of the executive management.

On March 31, 2024, 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):

March 31, 2024	Total
Trade receivables	7.004.969
Cash and cash equivalents	2.592.454
Total assets (1)	**9.597.423**
Liabilities	6.271.730
Short terms loans	-
Lease Liabilities	373.763
Other current liabilities	2.209.679
Total debts (2)	**8.855.172**
Difference (1) - (2)	**742.251**

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 liabilities (2)	**7,814,432**
Difference (1) - (2)	**2.507.040**

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 March 31, 2024, 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 March 31, 2024	**<30 days**	**30 – 60 days**	**60 - 120 days**	**>120 days**	**Total**
Trade and other receivables	6.256.794	190.175	464.100	93.900	**7.004.969**
Cash and cash equivalents	2.592.454	-	-	-	**2.529.454**
Total Assets	**8.849.248**	**190.175**	**464.100**	**93.900**	**9.597.423**
Trade payables	4.587.504	1.412.906	180.880	90.440	**6.271.730**
Financial debts	2.209.679	-	-	-	**2.209.679**
Lease liabilities	30.574	31.271	63.195	1.413.013	**1.538.052**
Total liabilities	**6.827.756**	**1.444.177**	**244.075**	**1.503.453**	**10.019.461**

20. SUBSEQUENT EVENTS

On March 12, 2024, Safetech's Board of Directors decided to convene the Ordinary and Extraordinary General Meetings of the Company's Shareholders for April 17, 2024. The legal and statutory quorum related to the meeting was constituted at the first convocation.

The key points approved during the two meetings were:

(i) Election of a new Board of Directors of the Company, consisting of Messrs. Victor Gânsac, Mircea Varga and Alexandru Mihailciuc, for a mandate valid until 30.04.2026;

(ii) Approval of the appointment of Baker Tilly Klitou And Partners S.R.L. as auditor of the Company, for a mandate valid until 30.04.2026;

(iii) Approval of the Revenue and Expenditure Budget for the year 2024, having the following content:

REVENUE AND EXPENDITURE BUDGET 2024 (RON)	Consolidated revenue and expenditure budget	Revenue and expenditure budget RO	Revenue and expenditure budget UK	Revenue and expenditure budget SAUDI ARABIA
Total income	**64.765.000**	**57.130.000**	**5.295.000**	**2.340.000**

REVENUE AND EXPENDITURE BUDGET 2024 (RON)	Consolidated revenue and expenditure budget	Revenue and expenditure budget RO	Revenue and expenditure budget UK	Revenue and expenditure budget SAUDI ARABIA
Turnover	54.205.000	46.600.000	5.265.000	2.340.000
Income intangible assets	8.700.000	8.700.000	-	-
Other operating revenues	400.000	400.000	-	-
Other subsidy income	1.400.000	1.400.000	-	-
Financial income	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
Material expenses	29.760.500	24.300.000	4.006.500	1.454.000
Financial expenses	332.000	200.000	30.000	102.000
Amortization	4.322.000	4.200.000	1.638.000	
Gross profit	**15.821.500**	**16.430.000**	**(2.485.500)**	**361.000**
Tax	2.768.998	2.628.800	-	140.198
Net income	**13.052.503**	**13.801.200**	**(2.485.500)**	**220.803**
EBITDA	**20.143.500**	**20.630.000**	**(847.500)**	**361.000**
Personal average number	*71*	*65*	*5*	*1*

(iv) Increase of the share capital by the amount of 316,540 lei, from 13,300,000 lei to 13,616,540 lei, through the issuance of 1,582,700 new shares with a nominal value of 0.2 lei per share, following the incorporation of 316,540 lei from the reserves related to the year 2022. The distribution of the newly issued shares will be made in the proportion of 0.0238 free share to 1 share held, the purpose of the increase being to issue available shares so that the Company can fulfill its obligations assumed by the free allocation plan of actions (SOP Plan)

As part of the increase, shareholders registered in the shareholders' register on the registration date (17.05.2024) will have a period of 10 (ten) days to express one of the following options:

- to receive the free shares due to them, according to the allocation index of 0.0238 free shares for each share held on the registration date;
- receive the nominal value due, for the total number of free shares to which they would be entitled, according to the allocation index of 0.0238 free shares for each share held on the record date.

On April 17, 2024, Safetech Innovations informed the shareholders about the appointment of Mr. Victor Gânsac as Chairman of the Board of Directors, respectively General Manager of the Company.

Through the same decision of the Board of Directors, the component of the Risk and Audit Committee was decided, which will be formed by Mircea Varga (Chairman) and Alexandru Mihailciuc (Member), as well as the Nomination and Remuneration Committee, formed by Alexandru Mihailciuc (Chairman), respectively Mircea Varga (Member).

On April 25, 2024, the Company informed the shareholders about the registration with the Trade Register of the share capital increase approved within the AGOA of 04/17/2024.

Following the registration with the Trade Register, the new subscribed and paid-up share capital of the Company is 13,616,540 lei, divided into 68,082,700 ordinary shares with a nominal value of 0.2 lei each.

SAFETECH INNOVATIONS S.A.

CONSOLIDATED FINANCIAL STATEMENTS
for 3- month period ending on March 31, 2024

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

DATE: 08.05.2024

Contents

as of March 31, 2024 (expressed in RON, unless otherwise specified)

	Nota	March 31, 2024	March 31, 2023
		RON	**RON**
Sales of goods		8.960.681	3.951.940
Rendering of services		2.977.190	2.059.069
Rental income		-	-
Turnover	**5.1**	**11.937.871**	**6.011.009**
Other operating income	6.1	220.234	287.645
Income from the production of fixed assets		3.275.720	2.720.068
Raw materials and consumables used	5.2	(5.274.048)	(3.005.836)
Merchandise	5.2	(1.945.181)	-
Employee benefits expenses	6.5	(4.295.310)	(3.434.267)
Depreciation and amortisation	9	(530.819)	(673.109)
Rental expenses		(65.078)	(45.611)
Marketing and advertising expenses		(56.733)	(77.268)
Provisions		220.200	98.878
Other expenses	6.2	(1.500.073)	(1.431.575)
Operating profit		**1.986.783**	**449.935**
Financial Income	6.4	9.438	67.181
Financial Expenses	6.3	(183.958)	(36.777)
Profit/(Loss) before tax		**1.812.262**	**480.339**
Income Tax Expense	7	(449.675)	(212.820)
Net profit for the financial year		**1.362.587**	**267.519**
Attributable			
To the equity holders of the parent company		1.816.454	855.719
Interests that do not control		(453.867)	(588.200)

SAFETECH INNOVATIONS S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION as of March 31, 2024 (expressed in RON, unless otherwise specified)

	Note	31 March 2024	31 december 2023
Non - current assets			
Property, plant and equipment	9	692.262	647.803
Right of use assets	9	1.689.506	1.253.788
Intangible assets	10	44.210.676	40.639.667
Other non - current assets		303.892	271.733
Deferred tax assets		62.792	62.792
Total non-current assets		**46.959.128**	**42.875.783**
Current assets			
Inventories	11	571.403	400.699
Trade and other receivables	12	8.070.312	7.230.151
Other current financial assets		47.164	150.129
Cash and cash equivalents	13	2.772.767	4.492.337
Total currect assets		**11.461.646**	**12.273.316**
Total assets		**58.420.774**	**55.149.100**
Equity and liabilities			
Issued share Capital		13.300.000	13.300.000
Own actions		-	-
Share premium at nominal value		2.865.991	2.865.991
Legal and other reserves		1.670.846	1.670.846
Retained earnings / (Accumulated Losses)		11.766.550	9.768.321
Other components of equity		-	-
Translation differences		(17.634)	(139.921)
Minority interest		(3.485.278)	(2.714.770)
Total equity	14	**26.100.475**	**24.750.467**
Long-term debt		-	-
Other liabilities		13.130.357	13.350.207
Subsidies	10	1.312.197	1.082.451
Long term lease liabitlies		**14.442.554**	**14.432.657**
Total Non - Current Liabilities			
Current liabilities			
Trade accounts payable	16	6.315.981	6.183.930
Income taxes payable		701.118	324.866
Short-term borrowings	17	7.999.172	7.302.928
Current term lease liability		521.671	307.068
Other current liabilities	16	2.339.804	1.626.983
Provisions		-	220.200
Total current liabilities		**17.877.746**	**15.965.975**
Total liabilities		**32.320.299**	**30.398.633**
Total equity and liabilities		**58.420.774**	**55.149.100**

CONSOLIDATED STATEMENT OF EQUITY as of March 31, 2024 (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 STATEMENT OF EQUITY as of March 31, 2024 (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 2024	**13.300.000**	**2.865.991**	**-**	**-**	**1,670,846**	**9,768,321**	**(139,921)**	**27,465,237**	**(2,714,770)**	**24,750,467**
Net profit of the year	-	-	-	-	-	1,816,454	-	1,816,454	(453,867)	1,362,587
Translation differences	-	-	-	-	-	181,775	122,287	304,062	(316,641)	(12,579)
Other elements of the overall result	-	-	-	-	-	-	-	-	-	-
Increase in share capital	-	-	-	-	-	-	-	-	-	-
Establishment of legal reserve	-	-	-	-	-	-	-	-	-	-
Increase in emission premiums	-	-	-	-	-	-	-	-	-	-
Shares granted	-	-	-	`-	-	-	-	-	-	-
The increase from the purchase of own shares	-	-	-	-	-	-	-	-	-	-
Distribution of dividends	-	-	-	-	-	-	-	-	-	-
Depreciation reserve from revaluation	-	-	-	-	-	-	-	-	-	-
Deferred tax reserve revaluation	-	-	-	-	-	-	-	-	-	-
Balance as of March 31, 2024	**13.300.000**	**2.865.991**	**0**	**0**	**1.670.846**	**11,766,550**	**(17.634)**	**29.585.753**	**(3,485,278)**	**26,100,475**

SAFETECH INNOVATIONS S.A.
CONSOLIDATED CASH FLOW as of March 31, 2024 (expressed in RON, unless otherwise specified)

		March 31, 2024	March 31, 2023
Cash flows from operating activities			
Profit before tax		**1.812.262**	**480.339**
Depreciation and amortisation		433.316	610.388
Depreciation related to RUA		97.503	62.721
Benefits employes		-	221.620.00
Revaluation of tangile assets impact		-	-
Receivable allowance movement		-	-
Movements in provisions		(220.200)	(98.878)
(Gain) / loss on sale of property, plant and equipment		-	-
(Gain) / loss on write off receivables and payables		-	-
Translation difference		-	-
Interest revenues		(236)	(32.028)
Interest expenses		30.237	24.290
Operating profit before working capital changes		**2.152.883**	**1.268.453**
Change in inventories		(170.704)	0
Change in trade and other receivable		(737.196)	2.571.437
Change in trade and other payable		902.999	(5.225.977_
Change in deferred income tax		-	2.645
Cash generated from/ (used in) operations		**2.147.982**	**(1.383.442)**
Interest paid		(30.237)	(24.290)
Income tax paid		(73.423)	-
Net cash from/ (used in) operating activities		**2.044.322**	**(1.407.733)**
Cash flows from investing activities			
Proceeds from sale of non-current assets		(32.159)	(72.214)
Purchases of intangibles		(4.029.366)	(2.822.103)
Purchase of property, plant and equipment	9, 10	(60.611)	(449.812)
Interest received		236	(32.028)
Net cash used in investing activities		**(4.121.900)**	**(3.312.102)**
Cash flows from financing activities			
Increase in share capital		-	-
Increase in share premium		-	-
Redeemed shares		-	-
Subsidy increases		(219.850)	586.544
Movements in loans and borrowings		696.244	-
Dividende plătite	16	-	-
Payments of lease liabilties		(118.386)	(101.854)
Net cash from/ (used in) in financing activities		**358.008**	**484.690**
Net increase in cash and cash equivalents		**(1.719.570)**	**(4.235.144)**
Cash beginning of period at 1 January 2024/2023		**4.492.337**	**6.384.367**
Cash beginning of period at 31 March 2024/2023		**2.772.767**	**2.149.223**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2024 (expressed in RON, unless otherwise specified)

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

These consolidated financial statements concluded on March 31, 2024 are prepared for SAFETECH INNOVATIONS S.A. and its subsidiaries (collectively, the Group).

CONSOLIDATION TABLE OF THE GROUP

Company	**Percentage of control owned**	**Control type**	**The consolidation method**
SAFETECH INNOVATIONS SA	THE PARENT COMPANY		
SAFETECH INNOVATIONS GLOBAL SERVICES LIMITED	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 (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 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 March 2024	**31 december 2023**
Number of employees	65	62

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2024 (expressed in RON, unless otherwise specified)

Members of the Administrative Council at the end of the 2023 and 2024 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.

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.C.

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 3-month period ending March 31, 2024 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), 2023 and 2024.
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
March 31, 2023	4.9491	4.5463	5.6256
December 31, 2023	4.9746	4.4958	5.7225
March 31, 2024	4.9695	4.6078	5.8126

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 2024, 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 March 31, 2024, 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 2024, the company part of the group SAFETECH INNOVATIONS GLOBAL SERVICES LIMITED 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 01.01.2023:

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 25.06.2020, 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 01.01.2023.
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 Group'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 09.12.2021, 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 Group's financial statements.

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

On 12.02.2021, 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 Group'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 12.02.2021, 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 Group'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 Group'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 Group'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 Group 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 Group 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 Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2024 (expressed in RON, unless otherwise specified)

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 and 2024, 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.

	March 31, 2024	**March 31, 2023**
Internal sales	11.880.680	5.936.571
External Sales	57.191	74.438
Total turnover	**11.937.871**	**6.011.009**
Income from services	**2.977.190**	**2.059.069**
Sales of goods:	**8.960.681**	**3.951.940**
Finished goods	6.957.623	3.951.940
Goods sales	2.003.058	-
Rental income	**-**	**-**

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.

In the category of income from the sale of finished products, you can find cyber security solutions, including implementation services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2024 (expressed in RON, unless otherwise specified)

5.2. Raw materials and consumables used

Raw materials and consumables used	March 31 2024	March 31 2024
Raw materials	5.264.704	2.967.582
Fuel materials and spare parts	9.108	5.982
Products	1.945.181	-
Supplies	5.262	4.821
Inventory items	8.917	25.790
Others	4.057	1.661
Total	**7.219.229**	**3.005.836**

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 the first quarter of 2024, the Group presents the following operating income:

	March 31, 2024	March 31, 2023
Income from operating subsidies	135,290	175,684
Income from subsidies for investments	84,559	84,550
Income/(expenses) from the sale of assets	-	-
Other operating revenues	385	27,411
Total other operating income	**220,234**	**287,645**

6.2 Other operating expenses

Other operating expenses	March 31 2024	March 31 2023
Services	1.001.350	998.532
Telecommunication services	28.628	33.902
Sponsorship	64.997	53.500
Insurance	116.278	40.167
Utilities	27.576	64.825
Travel expenses	131.788	94.466

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2024 (expressed in RON, unless otherwise specified)

Other operating expenses	March 31 2024	March 31 2023
Training	3.048	16.748
Maintenance	6.603	16.324
Other	119.805	113.110
Total	**1.500.073**	**1.431.575**

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	March 31 2024	March 31 2023
Interest expense	30.327	24.290
Expenses with exchange rate differences	153.721	12.486
Other financial expenses	-	-
Total	**183.958**	**36.777**

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

6.4 Financial income

Financial income	March 31 2024	March 31 2023
Gains on exchange rate differences	236	32.028
Interest income	9.202	35.153
Total	**9.438**	**67.181**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2024 (expressed in RON, unless otherwise specified)

6.5 Employee benefit expenses

Salary expenses

	March 31 2024	March 31 2023
Salaries	4.083.582	3.103.175
Payroll taxes	204.590	109.472
Salaries benefits (meal vouchers)	7.138	221.620
Total	**4.295.310**	**3.434.267**

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 mother 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2024 (expressed in RON, unless otherwise specified)

7. CURRENT AND DEFERRED PROFIT TAX

On March 31, 2024, the companies included in the consolidation perimeter present the following component of current and deferred profit tax:

- **The Parent Company**

Income tax expense	**March 31 2024**	**March 31 2023**
Current profit tax	-	2.645
Deferred tax (expense (income))	449.675	210.175
Total	**449.675**	**212.820**

- **Safetech Innovations Global Services Limited**

On March 31, 2024, the company records a loss:

	Amount
Total income	-
Total expenses	(1.236.649)
Loss	**(1.236.649)**

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 March 31, 2024 is 66,500,000.

	March 31, 2024	**2023**
Net profit of the financial year	1.362.587	3.830.575
Number of shares	66.500.000	66.500.000
Basic and diluted result per share	0,02	0,058

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2024 (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	Total
Gross value on January 1, 2024	**2.350.569**	**415.595**	**2.998.185**	**602.858**	**6.367.208**
Additions	533.224	21.335	39.275	0	593.834
Revaluation	-	-	-	-	-
Outputs	-	-	-	-	-
Transfers	-	-	-	-	-
Gross value on March 31, 2024	**2.883.793**	**436.930**	**3.037.461**	**602.858**	**6.961.042**
Amortization and depreciation on January 1, 2024	**1.096.781**	**62.774**	**2.877.016**	**429.045**	**4.465.617**
Amortization in the year	97.505	346	6.265	9.541	113.657
Outputs	-	-	-	-	-
Transfers	-	-	-	-	-
Amortization and depreciation on March 31, 2024	**1.194.287**	**63.120**	**2.883.282**	**438.586**	**4.579.274**
Net worth March 31, 2024	**1.689.506**	**373.810**	**154.179**	**164.273**	**2.381.768**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2024 (expressed in RON, unless otherwise specified)

	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 MARCH 31, 2024 (expressed in RON, unless otherwise specified)

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.

The accounting value of the rental debt and the movements recorded in this category during the 1st semester of 2024:

At March 1, 2024	**1.389.518**
Additions	533.224
Interest associated with the leasing debt	29.879
Lease payments	118.386
Debt revaluation	(368)
At March 31, 2024	**1.833.867**

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

March 31, 2024	
Depreciation of assets related to the right of use	97.505
Interest expense related to the leasing debt	29.879
Total expenses recognized in the profit and loss account	**127.384**

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 associated with the leasing debt	102.416
Total expenses recognized in the profit and loss account	**391.325**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2024 (expressed in RON, unless otherwise specified)

10. INTANGIBLE ASSETS

	Establishment expenses	Development expenses	Concessions, patents and other rights	Other intangible assets	Total
Costs on January 1 2024	**323.700**	**37.531.922**	**114.429**	**8.527.730**	**46.497.782**
Additions	-	3.275.720	-	753.646	4.029.366
Disposals	-	-	-	(44.510)	(44.510)
Transfers	-	-	-	-	-
Costs as at March 31, 2024	**323.700**	**40.807.642**	**114.429**	**9.236.866**	**50.482.637**
Amortization and depreciation on January 1, 2024	**323.701**	**-**	**114.429**	**5.419.985**	**5.858.114**
Amortization in the year	-	-	-	413.847	413.847
Disposals	-	-	-	-	-
Amortization and depreciation on March 31, 2024	**323.701**	**-**	**114.429**	**5.833.832**	**6.271.961**
Net Value at March 31, 2024	**-**	**40.807.642**	**-**	**3.403.034**	**44.210.676**

	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**

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.

Between January and March 2024 important developments were made to the iSAM solution, in amount of RON 654 thousands, representing mainly the costs of software development employees.

SafePic - 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.

In the period January - March 2024, the project continued in accordance with the development plan for the sustainability period, the expenses being in the amount of 1,657 thousand lei.

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. Between January and March 2024, developments worth 963 thousand RON were carried out, mainly representing the costs of software development employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2024 (expressed in RON, unless otherwise specified)

11. INVENTORIES

Inventories	31 March 2024	31 december 2023
Raw materials	477.896	269.429
Merchandise	91.863	131.271
Supplies	1.644	-
Total	**571.403**	**400.699**

The Group does not hold stocks mortgaged in favor of third parties on March 31, 2024 and respectively on December 31, 2023.
The Group has no slow-moving inventory.

12. TRADE RECEIVABLES AND OTHER / CURRENT RECEIVABLES

Trade receivables and other receivables	31 March 2024	31 december 2023
Total net trade receivables of which:	**7.606.316**	**6.731.899**
Trade receivables, of which	7.161.197	6.428.921
Trade receivables with affiliated companies	-	-
Uncertain trade receivables	186.104	186.104
Clients invoices to be drawn up	206.722	248.733
Other receivables	238.397	54.245
Minus		
Allowances for expected losses on receivables	(186.104)	(186.104)
Total other receivables of which:	**463.996**	**498.252**
Different debitors	277.841	141.323
Prepayments	160.488	158.389
Other current assets	25.667	3.785

13. CASH AND CASH EQUIVALENTS

	31 March 2024	31 december 2023
Cash at the bank in RON	2.761.379	3.361.741
Cash at the bank in foreign currency	1.626	1.130.596
Cash in the cash register	-	-
Other values	9.762	-
Total	**2.772.767**	**4.492.337**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2024 (expressed in RON, unless otherwise specified)

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.

14. CAPITAL AND RESERVES

Authorized Shares/Social Parties	31 March 2024	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 2023	66.500.000	13.300.000
At 31 march 2024	66.500.000	13.300.000

Share capital	31 March 2024	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 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 March 31, 2024, the shareholding structure of the parent company is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2024 (expressed in RON, unless otherwise specified)

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%**

Reserves

Total other reserves included in capital components:	**31 March 2024**	**31 December 2023**
Legal reserves	1.670.846	1.670.846
Other reserves (other funds)	29.782	29.782
Reported result	11.766.550	9.768.321
Total other reserves	**13.467.178**	**11.468.948**

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 March 31, 2024, a legal reserve was established in the amount of 1,670,846 RON (2023: 1,670,846 RON).

Other Reserves

Other reserves include distributions of profits related to the years prior to 2024. 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 Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2024 (expressed in RON, unless otherwise specified)

16. TRADE AND OTHER LIABILITIES (CURRENTS)

Trade and other liabilities	31 March 2024	31 December 2023
Local trade debts	6.308.617	5.771.843
Foreign trade debts	-	38.644
Liabilities for purchases of fixed assets	3.817	369.896
Advances received and other liabilities	3.547	3.547
Lease liabilities	1.833.867	307.068
Total	**8.149.848**	**6.490.998**

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

Other current liabilities	31 March 2024	31 December 2023
Salaries	553.725	496.058
Contributions and taxes wages	527.444	751.760
VAT	1.122.546	338.543
Dividends	3.529	3.529
Revenues registered in advance	-	-
Other liabilities	132.560	37.094
Total	**2.339.804**	**1.626.983**

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 group SAFETECH INNOVATIONS GLOBAL SERVICES LIMITED contracted two short-term loans from natural persons, the total loan on March 31, 2024 being 8,021,388 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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2024 (expressed in RON, unless otherwise specified)

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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- **Details about other affiliated parties in 2024 and 2023:**

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
SAFETECH INNOVATIONS US,	Affiliated company	No transactions	United States	United States
SAFETECH CYBERSECURITY LIMITED CYBER RISK MANAGEMENT SERVICES L.L.C. in Emiratele Arabe Unite	Affiliated company	No transactions	United Arab Emirates	United Arab Emirates

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

Compensation granted to the Parent Company's key management personnel

Administrators, directors and the supervisory committee

In the years 2024 and 2023, the Company paid the following amounts to administrators, directors which include allowances, dividends and taxes:

	March 31, 2024	March 31, 2023
Costs	93.000	93.000
Total	**93.000**	**93.000**

On March 31, 2024, the Parent Company had a remunerated Board of Directors, the President of the Board of Directors being part of the executive management.

On March 31, 2024, 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 2022, the mother 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, 2023	EUR	USD	GBP	RON	Total
Trade receivables	111.317	19.353	336.541	6.874.299	7.341.510
Cash and cash equivalents	162	642	181.645	2.590.318	2.772.767
Total assets (1)	**111.479**	**19.994**	**337.873**	**9.464.618**	**9.933.964**
Liability	3.647.603	0.00	158.224.46	2.510.153	6.315.981
Short term loans			7.999.172	0	7.999.172
Lease liabilities	37.958	0.00	147.908	335.805	521.671
Other current liabilities			130.125	2.209.679	2.339.804
Total debts (2)	**3.685.561**	**0.00**	**8.435.429**	**5.055.637**	**17.176.628**
Difference (1) - (2)	**(3.574.082)**	**19.994**	**(8.097.556)**	**4.408.980**	**(7.242.664)**

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

31 March 2024	Total
Trade receivables	7.341.510
Cash and cash equivalents	2.772.767
Total assets (1)	**9.933.964**
Liabilities	6.315.981
Short terms loans	7.999.172
Lease Liabilities	521.671
Other current liabilities	2.339.804
Total debts (2)	**17.176.628**
Difference (1) - (2)	**(7.242.664)**

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 liabilities (2)	**15.420.908**
Difference (1) - (2)	**(4.196.672)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2024 (expressed in RON, unless otherwise specified)

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 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 March 31, 2024, the Group has no long-term financing (neither from commercial partners, nor debts to financial institutions).

All the Group's debts on March 31, 2024 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 March 31, 2024	**<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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2024 (expressed in RON, unless otherwise specified)

20. SUBSEQUENT EVENTS

On March 12, 2024, Safetech's Board of Directors decided to convene the Ordinary and Extraordinary General Meetings of the Company's Shareholders for April 17, 2024. The legal and statutory quorum related to the meeting was constituted at the first convocation.

The key points approved during the two meetings were:

(i) Election of a new Board of Directors of the Company, consisting of Messrs. Victor Gânsac, Mircea Varga and Alexandru Mihailciuc, for a mandate valid until 30.04.2026;

(ii) Approval of the appointment of Baker Tilly Klitou And Partners S.R.L. as auditor of the Company, for a mandate valid until 30.04.2026;

(iii) Approval of the Revenue and Expenditure Budget for the year 2024, having the following content:

REVENUE AND EXPENDITURE BUDGET 2024 (RON)	Consolidated revenue and expenditure budget	Revenue and expenditure budget RO	Revenue and expenditure budget UK	Revenue and expenditure budget SAUDI ARABIA
Total income	**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
Income intangible assets	8.700.000	8.700.000	-	-
Other operating revenues	400.000	400.000	-	-
Other subsidy income	1.400.000	1.400.000	-	-
Financial income	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
Material expenses	29.760.500	24.300.000	4.006.500	1.454.000
Financial expenses	332.000	200.000	30.000	102.000
Amortization	4.322.000	4.200.000	1.638.000	
Gross profit	**15.821.500**	**16.430.000**	**(2.485.500)**	**361.000**
Tax	2.768.998	2.628.800	-	140.198
Net income	**13.052.503**	**13.801.200**	**(2.485.500)**	**220.803**
EBITDA	**20.143.500**	**20.630.000**	**(847.500)**	**361.000**
Personal average number	*71*	*65*	*5*	*1*

(iv) Increase of the share capital by the amount of 316,540 lei, from 13,300,000 lei to 13,616,540 lei, through the issuance of 1,582,700 new shares with a nominal value of 0.2 lei per share, following the incorporation of 316,540 lei from the reserves related to the year 2022. The distribution of the newly issued shares will be made in the proportion of 0.0238 free share to 1 share held, the purpose of the increase being to issue available shares so that the Company can fulfill its obligations assumed by the free allocation plan of actions (SOP Plan)

As part of the increase, shareholders registered in the shareholders' register on the registration date (17.05.2024) will have a period of 10 (ten) days to express one of the following options:

- to receive the free shares due to them, according to the allocation index of 0.0238 free shares for each share held on the registration date;
- receive the nominal value due, for the total number of free shares to which they would be entitled, according to the allocation index of 0.0238 free shares for each share held on the record date.

On April 17, 2024, Safetech Innovations informed the shareholders about the appointment of Mr. Victor Gânsac as Chairman of the Board of Directors, respectively General Manager of the Company.

Through the same decision of the Board of Directors, the component of the Risk and Audit Committee was decided, which will be formed by Mircea Varga (Chairman) and Alexandru Mihailciuc (Member), as well as the Nomination and Remuneration Committee, formed by Alexandru Mihailciuc (Chairman), respectively Mircea Varga (Member).

On April 25, 2024, the Company informed the shareholders about the registration with the Trade Register of the share capital increase approved within the AGOA of 04/17/2024.

Following the registration with the Trade Register, the new subscribed and paid-up share capital of the Company is 13,616,540 lei, divided into 68,082,700 ordinary shares with a nominal value of 0.2 lei each.