

Annual Report

and

Consolidated Accounts

for

Safello Group AB

556892-3550

Financial Year

2020

This financial report is a translation from the official Swedish annual report.

The Board of Directors for Safello Group AB hereby submit the annual financial statement and consolidated accounts for the financial year 2020.

All amounts in the annual report are presented in Swedish kronor, SEK. Unless otherwise stated, all amounts are posted in Swedish kronor (SEK). Data in parentheses refer to the previous year.

Directors' Report

Information about the operations

The Group is composed of Safello Group AB (Parent company), Safello AB (subsidiary) and Safello Technology Development AB (subsidiary).

The companies started operations in 2013 and offer purchasing, exchange, management and other products and services related to cryptocurrency. Safello Group AB and Safello AB are licensed to operate as a financial institution.

The ongoing pandemic can be assumed to adversely affect the development of the Group's operations, position and results. See also the note regarding significant events after the end of the financial year.

The company is headquartered in Stockholm.

Significant events during the financial year

During the financial year, Safello launched new product categories to attract new customer groups, including Safello Premium, Safello Mobile and Safello Business. These new products contributed to the strong sales development.

The subsidiary Safello AB was granted permission by the Swedish Financial Supervisory Authority to operate as a financial institution.

The Group reviewed and migrated to a new cloud-based infrastructure solution to increase security and operational reliability.

Safello Group AB announced in December 2020 that the company is preparing for a listing on NASDAQ First North Growth Market. In connection with the plans, a new share issue was made on December 16, 2020. The company received SEK 10,896,000 from the issue, before costs.

The Group recruited a number of key employees during the financial year.

During the financial year, the Group saw a limited negative impact on Covid-19. The support packages created to counteract the negative financial effects of the pandemic have led to an increased interest in cryptocurrency among an increasing part of the population, and the Group saw strong growth in 2020. At the same time, measures have been taken to enable employees to work from home to minimize the risk for the Group and its employees of being affected by Covid-19.

Multi-year overview (KSEK)

Consolidated	2020	2019	2018	2017
Net turnover	315 007	206 621	27 094	4 405
Profit/loss after financial items	882	249	-6 971	-5 813
Balance sheet total	28 178	13 289	13 754	17 636
Acid-test ratio (%)	393	253	438	524
Equity/assets ratio (%)	81	83	78	83
Parent company	2020	2019	2018	2017
Net turnover	0	0	27 094	4 405
Profit/loss after financial items	-4 216	-6 559	-8 029	1 304
Balance sheet total	38 578	26 062	32 057	41 554
Acid-test ratio (%)	1 466	1 249	437	569
Equity/assets ratio (%)	97	99	93	92

For definitions of key ratios, see Accounting and Valuation Principles.

Changes in Equity

Consolidated	Share capital	Share issue under reg.	Statutory reserve	Premium reserve	Other equity incl. result for the year	Total
Amount at the opening of the year	99 125		5 566 485	43 427 945	-38 129 460	10 964 095
Appropriation of earnings as per decision of the Annual General Meeting:				-43 427 945	43 427 945	0
Ongoing share issue		6 810		10 889 190		10 896 000
Reversed from development fund			-1 890 875		1 890 875	0
Profit/loss for the year					882 213	882 213
Amount at the closing of the year	99 125	6 810	3 675 610	10 889 190	8 071 573	22 742 308

Parent company	Share capital	Share issue under reg.	Statutory reserve	Premium reserve	Other equity incl. result for the year	Total
Amount at the opening of the year	99 125		43 427 946	-13 871 641	-3 983 985	25 671 445
Appropriation of earnings as per decision of the Annual General Meeting:			-43 427 946	39 443 961	3 983 985	0
Ongoing share issue		6 810	10 889 190			10 896 000
Profit/loss for the year					823 558	823 558
Amount at the closing of the year	99 125	6 810	10 889 190	25 572 320	823 558	37 391 003

Proposals for profit allocation

The Board of Directors recommends that the profit/loss and brought forward profits available for disposition (SEK):

accumulated profit	25 572 320
premium reserve	10 889 190
profit for the year	823 558
	37 285 068

be processed so that carried over	37 285 068
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The Group's and the Parent company's earnings and financial position in general are indicated in the following income statement and balance sheet as well as the cash flow analysis with notes.

Consolidated Income Statement

	Note	2020-01-01 -2020-12-31	2019-01-01 -2019-12-31
Operating revenues			
Net turnover		315 006 766	206 620 931
Activated work for own account		0	4 253 300
		315 006 767	210 874 231
Operating costs			
Raw materials and consumables		-3 078 862	-3 656 324
Goods for resale		-296 241 563	-195 670 757
Other external costs	2	-5 525 646	-3 724 967
Personnel costs	3	-7 102 414	-5 074 868
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets		-1 928 258	-1 939 135
Other operating expenses		-260 352	-552 129
		-314 137 095	-210 618 180
Operating profit/loss		869 671	256 051
Profit/loss from financial items			
Other interest income and similar profit/loss items		17 833	0
Interest expense and similar profit/loss items		-5 291	-6 756
		12 542	-6 756
Profit/loss after financial items		882 213	249 295
Pre-tax profit/loss		882 213	249 295
Net profit/loss for the year		882 213	249 295
Attributable to the Parent company's shareholders		882 213	249 295

Consolidated Balance sheet

	Note	2020-12-31	2019-12-31
ASSETS			
Subscribed, unpaid capital		113 600	0
Fixed assets			
<i>Intangible fixed assets</i>			
Cryptocurrency	4	21	55
Capitalised expenses for research and development and similar work	5	4 871 610	6 762 485
		4 871 631	6 762 540
<i>Tangible fixed assets</i>			
Machinery and other technical facilities	6	41 782	65 976
		41 782	65 976
<i>Financial assets</i>			
Other long-term receivables	7	68 750	68 750
		68 750	68 750
Total fixed assets		4 982 163	6 897 266
Current assets			
<i>Inventories, etc.</i>			
Finished goods and goods for resale		1 703 851	498 764
		1 703 851	498 764
<i>Current receivables</i>			
Other receivables	8	4 223 517	2 398 852
Deferred expenses and accrued income		146 853	6 091
		4 370 370	2 404 943
<i>Cash on hand and in bank</i>		17 008 112	3 488 479
Total current assets		23 082 333	6 392 186
TOTAL ASSETS		28 178 096	13 289 452

Consolidated Balance sheet

Note 2020-12-31 2019-12-31

EQUITY AND LIABILITIES

Equity

Equity attributable to the Parent company's shareholders

Share capital	105 935	99 125
Reserve for development expenditure	3 675 610	5 566 485
Other contributed capital	54 317 135	43 427 945
Other equity including profit for the year	-35 356 372	-38 129 461
Equity attributable to the Parent company's shareholders	22 742 308	10 964 094

Total equity

22 742 308 10 964 094

Current liabilities

Liabilities to credit institutions	0	27 741
Advance payments from customers	1 986 009	370 312
Accounts payable	658 470	509 059
Current tax liabilities	0	55 828
Other liabilities	1 429 475	464 318
Accrued expenses and deferred income	1 361 834	898 100
	5 435 788	2 325 358

TOTAL EQUITY AND LIABILITIES

28 178 096 13 289 452

Consolidated Cash Flow Analysis

	Note	2020-01-01 -2020-12-31	2019-01-01 -2019-12-31
Current activities			
Profit/loss after financial items		882 213	249 295
Adjustments for items not included in the cash flow		2 047 044	2 491 263
Cash flow from operating activities before change in working capital		2 929 257	2 740 558
Cash flow from change in the working capital			
Change in customers' accounts receivable		-1 205 087	-170 442
Change in current receivables		-1 965 427	-231 597
Change in accounts payable		149 411	201 761
Change in current liabilities		2 961 019	-915 281
Cash flow from operating activities		2 869 173	1 624 999
Investment activities			
Investments in intangible fixed assets		-404 603	-4 374 473
Sale of intangible fixed assets		404 637	121 118
Investments in tangible fixed assets		-13 189	-98 963
Sale of tangible fixed assets		0	-68 750
Cash flow from investment activities		-13 155	-4 421 068
Financing activities			
New share issue		10 896 000	0
Cash flow from financing activities		10 896 000	0
Annual cash flow		13 752 018	-2 796 069
Liquid assets, opening balance			
Liquid assets, opening balance		3 488 479	6 836 677
Exchange rate differences for liquid assets			
Exchange rate differences for liquid assets		-232 385	-552 129
Liquid assets, closing balance		17 008 112	3 488 479

**Parent company's
income statement**

	Note	2020-01-01 -2020-12-31	2019-01-01 -2019-12-31
Operating costs			
Other external costs	2	-1 739 378	-1 020 188
Personnel costs	3	-2 416 814	-1 486 609
Other operating expenses		-57 266	-712
		-4 213 458	-2 507 509
Operating profit/loss			
		-4 213 458	-2 507 509
Profit/loss from financial items			
Profit/loss from participations in group companies		0	-4 050 000
Interest expense and similar profit/loss items		-2 984	-1 465
		-2 984	-4 051 465
Profit/loss after financial items			
		-4 216 442	-6 558 974
Appropriations	9	5 040 000	2 574 989
Pre-tax profit/loss		823 558	-3 983 985
Net profit/loss for the year		823 558	-3 983 985

Parent company's Balance sheet

	Note	2020-12-31	2019-12-31
ASSETS			
Subscribed but unpaid capital		113 600	0
Fixed assets			
<i>Intangible fixed assets</i>			
Cryptocurrency	4	21	55
		21	55
<i>Financial assets</i>			
Participations in group companies	10, 11	21 183 733	21 183 733
		21 183 733	21 183 733
Total fixed assets		21 183 754	21 183 788
Current assets			
<i>Current receivables</i>			
Receivables from group companies		6 015 184	4 566 383
Current tax assets		0	17 442
Other receivables	8	95 571	97 310
Deferred expenses and accrued income		29 896	6 091
		6 140 651	4 687 226
<i>Cash on hand and in bank</i>		11 139 601	190 954
Total current assets		17 280 251	4 878 181
TOTAL ASSETS		38 577 605	26 061 969

Parent company's Balance sheet

Note 2020-12-31 2019-12-31

EQUITY AND LIABILITIES

Equity

Restricted reserves

Share capital

105 935

99 125

105 935

99 125

Non-restricted equity

Premium Fund

54 317 136

43 427 946

Retained earnings or losses

-17 855 625

-13 871 641

Profit/loss for the year

823 558

-3 983 985

37 285 068

25 572 320

Total equity

37 391 003

25 671 445

Current liabilities

Accounts payable

303 750

59 999

Other liabilities

103 557

149 356

Accrued expenses and deferred income

779 295

181 169

Total current liabilities

1 186 602

390 524

TOTAL EQUITY AND LIABILITIES

38 577 605

26 061 969

Parent company's Cash Flow Analysis

	Note	2020-01-01 -2020-12-31	2019-01-01 -2019-12-31
Current activities			
Profit/loss after financial items		-4 216 442	-6 558 974
Adjustments for items not included in the cash flow		10 402	47 911
Cash flow from operating activities before change in working capital		-4 206 040	-6 511 063
Cash flow from change in the working capital			
Change in inventories and ongoing works		0	328 322
Change in current receivables		-1 567 024	-1 154 992
Change in accounts payable		243 751	41 291
Change in current liabilities		552 327	-2 051 926
Cash flow from operating activities		-4 976 986	-9 348 368
Investment activities			
Investments in intangible fixed assets		-404 603	-121 173
Sale of intangible fixed assets		404 637	121 118
Cash flow from investment activities		34	-55
Financing activities			
New share issue		10 896 000	0
Group contributions received		5 040 000	2 574 989
Cash flow from financing activities		15 936 000	2 574 989
Annual cash flow		10 959 048	-6 773 434
Liquid assets, opening balance			
Liquid assets, opening balance		190 954	6 962 300
Exchange rate differences for liquid assets			
Exchange rate differences for liquid assets		-10 401	2 088
Liquid assets, closing balance		11 139 601	190 954

Notes

Note 1 Accounting and Valuation principles

General Information

The annual report is prepared in accordance with the Swedish Annual Accounts Act and BFNAR 2012:1 Annual Reporting and consolidated reports (K3).

Receivables and liabilities in foreign currencies and cryptocurrencies have been valued at the closing rate of exchange. Profit on exchange and exchange loss on operating receivables and liabilities are reported in the operating result while exchange rate gains and losses on financial receivables and liabilities are reported as financial items.

The accounting principles remain unchanged as compared to the previous year.

The Parent company and the group apply the same accounting principles unless otherwise stated below.

Revenue Recognition

Revenue has been raised to the fair value of consideration received or receivable and is recognised to the extent that it is probable that the economic benefits will be available to be used by the company and the revenue can be measured reliably.

When selling cryptocurrency, income is normally recognized as income when the significant benefits and risks associated with the ownership of the product have been transferred from the company to the buyer.

Consolidated financial statements

Consolidation method

The consolidated financial statements have been prepared in accordance with the acquisition method. This means that the identifiable assets and liabilities of acquired businesses are reported at market value in accordance with the prepared acquisition analysis. If the acquisition value of the business exceeds the estimated market value of the expected net assets according to the acquisition analysis, the difference is reported as goodwill.

Subsidiary

The consolidated financial statements include, in addition to the Parent company, all companies in which the Parent company directly or indirectly has more than 50% of the voting rights or otherwise holds the controlling influence and thus has a right to formulate the company's financial and operational strategies.

Transactions between group companies

Intra-group receivables and liabilities as well as transactions between Group companies as well as unrealized gains are eliminated in their entirety. Unrealized losses are also eliminated unless the transaction corresponds to an impairment loss.

Changes in internal profit during the financial year have been eliminated in the consolidated income statement.

Accounting Principles for individual balance sheet items

Intangible assets

The company reports internally generated intangible assets according to the activation model. This means that all expenses related to the development of an internally generated intangible asset are capitalized and depreciated over the asset's estimated useful life, under the conditions that the criteria in BFNAR 2012:1 are fulfilled.

Fixed assets

Intangible and tangible fixed assets are posted at the acquisition value less accumulated depreciation and any write-downs.

Depreciation is done on a straight-line basis over the estimated useful life of the asset taking the significant residual value into account. The following depreciation percentage is applied:

Intangible fixed assets

Capitalized expenditures for research and development work 5 yrs

Tangible fixed assets

Machinery and other technical facilities 3 yrs

Inventories

The inventory consists of cryptocurrency and is valued at the lower of acquisition cost and net realisable value on the balance sheet date. The net realisable value refers to the calculated sales price of the products less selling costs. The selected valuation method means that the inventory obsolescence has been taken into consideration.

Group Contributions

Obtained and provided group contributions accounted for as appropriations.

Cash Flow Analysis

Cash flow statement is prepared using the indirect method. The reported cash flow includes only transactions that involve receipts or disbursements.

The company classifies cash, in addition to cash on hand, as demand deposits at banks and other credit and short-term liquid investments that are listed on a marketplace and have a maturity of less than three months from the acquisition date. Changes in restricted cash are reported in investing activities.

Definition of Key Business Ratios

Net turnover

Main operating revenues, invoiced expenses, side income and revenue adjustments.

Profit/loss after financial items

Profits after financial items and costs but before appropriations and taxes.

Balance sheet total

Company's gathered assets.

Acid-test ratio (%)

Current assets excluding inventory and work in progress as a percent of short-term liabilities.

Equity/assets ratio (%)

Adjusted equity (equity and untaxed reserves with deductions for deferred tax) as a percent of the balance sheet total.

Estimates and judgements

Risk factors and risk management

The most significant risk/exposure in the Group's operations is the price risk attributable to fluctuations in cryptocurrency prices. The Group strives to manage price risk by continuously monitoring developments in the market in general and specifically with regard to the cryptocurrencies with which the company trades. The risk of loss is minimized by keeping the Group's inventory of cryptocurrencies at the lowest possible level.

Future outlook

The Group's earnings during the financial year 2021 will largely depend on the general development in the cryptocurrency markets. In 2020, the market has been very volatile. If the Group succeeds in listing on the NASDAQ First North Growth Market, the Group will be provided with growth capital and can plan for continued high growth. Should the listing fail or be postponed to the future, the Group will be forced to bear the costs of the preparations in any case. These costs could mean that the Group will be forced to limit its growth plans somewhat in the short term.

Note 2 Remuneration to Auditors

Consolidated

Audit assignment refers to inspection of the annual report and the accounting as well as the reports of the Board of Directors and the CEO, other tasks fulfilled by the company auditor as well as counselling or other assistance deriving from observations made in the course of the inspection or fulfilment of such other tasks.

	2020	2019
We Audit Sweden AB		
Audit engagement	269 101	175 000
	269 101	175 000

Parent company

Audit assignment refers to inspection of the annual report and the accounting as well as the reports of the Board of Directors and the CEO, other tasks fulfilled by the company auditor as well as counselling or other assistance deriving from observations made in the course of the inspection or fulfilment of such other tasks.

	2020	2019
We Audit Sweden AB		
Audit engagement	55 663	85 250
	55 663	85 250

Note 3 Average number of employees

Consolidated

	2020	2019
Average number of employees	10	9

Parent company

	2020	2019
Average number of employees	2	2

**Note 4 Cryptocurrency
Consolidated**

	2020-12-31	2019-12-31
Acquisition value, opening balance	55	0
Purchasing	404 603	121 173
Sales/discards	-404 637	-121 118
Accumulated acquisition value, closing balance	21	55
Book value, closing balance	21	55

Parent company

	2020-12-31	2019-12-31
Acquisition value, opening balance	55	0
Purchasing	404 603	121 173
Sales/discards	-404 637	-121 118
Accumulated acquisition value, closing balance	21	55
Book value, closing balance	21	55

**Note 5 Expenditures carried over for development work and similar work
Consolidated**

	2020-12-31	2019-12-31
Acquisition value, opening balance	9 454 375	5 201 075
Purchasing	0	4 253 300
Accumulated acquisition value, closing balance	9 454 375	9 454 375
Depreciation, opening balance	-2 691 890	-801 015
Depreciation for the year	-1 890 875	-1 890 875
Accumulated depreciation, closing balance	-4 582 765	-2 691 890
Book value, closing balance	4 871 610	6 762 485

**Note 6 Machinery and Other Technical Facilities
Consolidated**

	2020-12-31	2019-12-31
Acquisition value, opening balance	175 304	76 341
Purchasing	13 189	98 963
Accumulated acquisition value, closing balance	188 493	175 304
Depreciation, opening balance	-109 328	-61 068
Depreciation for the year	-37 383	-48 260
Accumulated depreciation, closing balance	-146 711	-109 328
Book value, closing balance	41 782	65 976

Note 7 Other long-term receivables
Consolidated

	2020-12-31	2019-12-31
Acquisition value, opening balance	68 750	0
Incoming accounts	0	68 750
Accumulated acquisition value, closing balance	68 750	68 750
Book value, closing balance	68 750	68 750

Note 8 Other receivables
Consolidated

	2020-12-31	2019-12-31
Tax assets relating to current tax	0	0
Other items	4 223 517	2 398 852
	4 223 517	2 398 852

Parent company

	2020-12-31	2019-12-31
Tax assets relating to current tax	0	0
Other items	95 571	97 310
	95 571	97 310

Note 9 Appropriations
Parent company

	2020	2019
Group contributions received	5 040 000	2 940 000
Group contributions paid	0	-365 011
	5 040 000	2 574 989

Note 10 Participation in Group companies
Parent company

	2020-12-31	2019-12-31
Acquisition value, opening balance	31 483 733	29 003 733
Purchasing	0	4 050 000
Sales/discards/merger	0	-1 570 000
Accumulated acquisition value, closing balance	31 483 733	31 483 733
Write-down losses, opening balance	-10 300 000	-7 770 000
Sales/discards/merger	0	1 520 000
Write-downs for the year	0	-4 050 000
Accumulated write-down losses, closing balance	-10 300 000	-10 300 000
Book value, closing balance	21 183 733	21 183 733

Note 11 Specification of Participation in Group Companies

Parent company

Name	Capital share	Share of voting power	No.of shares	Book value
Safello AB	100%	100%	50 000	50 000
Safello Technology Development AB	100%	100%	353 316	21 133 733
				21 183 733

	Corp. ID No.	Head office
Safello AB	556954-4165	Stockholm
Safello Technology Development AB	556984-5265	Stockholm

Note 12 Contingent liability

Consolidated

	2020-12-31	2019-12-31
Contingent liability	0	3 175 583
	0	3 175 583

Note 13 Significant events after the financial year

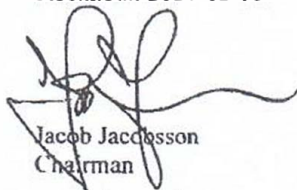
Consolidated

After the end of the financial year, the Group has only seen a limited negative impact on Covid-19. The support packages launched to reduce the pandemic's effect on the global economy have rather led to an increased interest in cryptocurrencies, which has been positive for Consolidated. Due to the uncertainty surrounding future political decisions and the behavior of people and companies, it is currently not possible to quantify the impact of the virus spread on operations.

The new share issue made in December 2020 was registered with the Swedish Companies Registration Office on 1 February 2021.

The income statement and balance sheet will be submitted to the annual general meeting for ratification

Stockholm 2021-02-18



Jacob Jacobsson
Chairman



Joakim Johansson



Sepehr Mavi



Frank Schuil
Managing Director

Our audit report was submitted 2021-02-18

WeAudit Sweden AB

Mikael Köver
Authorized Public Accountant