UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
under the Securities Exchange Act of 1934

For the month of: August 2020 (Report No. 2)

Commission file number: 001-38610

SAFE-T GROUP LTD.
(Translation of registrant's name into English)

8 Abba Eban Ave.
Herzliya, 4672526 Israel
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulations S-T Rule 101(b)(1):_____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulations S-T Rule 101(b)(7):_____

CONTENTS

This Report of Foreign Private Issuer on Form 6-K consists of (i) the Registrant's press release issued on August 31, 2020, titled "Safe-T Reports Second Quarter 2020 Financial Results," which is attached hereto as Exhibit 99.1; (ii) the Registrant's Interim Condensed Consolidated Financial Statements as of June 30, 2020, which is attached hereto as Exhibit 99.2; and (iii) the Registrant's Management's Discussion and Analysis of Financial Condition and Results of Operations for the six months ended June 30, 2020, which is attached hereto as Exhibit 99.3.

The first three paragraphs, the sections titled "Recent Developments", "Second Quarter 2020 Corporate Highlights," "COVID-19 Impacts", "Financial results for the six months ended June 30, 2020", "Financial results for the three months ended June 30, 2020", "Balance Sheet Highlights" and "Forward-Looking Statements," and the IFRS financial statements in the press release attached as Exhibit 99.1, and Exhibits 99.2 and 99.3 are incorporated by reference into the registration statements on Form S-8 (File No. 333-233510 and 333-239249) and Form F-3 (File Nos. 333-233724, 333-235367, 333-235368 and 333-236030) of the Registrant, filed with the Securities and Exchange Commission, to be a part thereof from the date on which this report is submitted, to the extent not superseded by documents or reports subsequently filed or furnished.

Exhibit No.	Description
99.1	Press release issued by Safe-T Group Ltd. on August 31, 2020, titled "Safe-T Reports Second Quarter 2020 Financial Results".
99.2	Safe-T Group Ltd.'s Interim Condensed Consolidated Financial Statements as of June 30, 2020.
99.3	Safe-T Group Ltd.'s Management's Discussion and Analysis of Financial Condition and Results of Operations for the six months ended June 30, 2020

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	Safe-T Group Ltd. (Registrant)
Date: August 31, 2020	By /s/ Hagit Gal Name: Hagit Gal Title: Corporate Legal Counsel

Safe-T Reports Second Quarter 2020 Financial Results

Revenue Growth of 164% for the First Half of 2020 Compared to the First Half of 2019

HERZLIYA, Israel, August 31, 2020 - Safe-T® Group Ltd. (Nasdaq, TASE: SFET), a provider of secure access solutions for on-premise and hybrid cloud environments, today announced its financial results for the six and three-month periods ended June 30, 2020.

Revenues for the first half of 2020 totaled $2,165,000, an increase of 164% compared to $821,000 in the first half of 2019. Revenues for the three-month period ended June 30, 2020 totaled $1,077,000, an increase of 173% compared to $394,000 in the three-month period ended June 30, 2019.

The Company's cash balance at the end of the quarter was $9,771,000. During July and August 2020, the Company raised gross funds of $6,794,000 through the issuance of ADSs and pre-funded warrants, and the exercise of warrants, bringing the cash balance of the Company including short-term deposits as of August 27, 2020 to approximately $15.0 million.

Shachar Daniel, Chief Executive Officer, commented on the results: "Over the past few months we continued to make successful progress towards some of the goals we set at the beginning of the year: accelerating revenue growth; moving fully to an indirect go-to-market approach (working with partners) with our innovative product for secure remote work while reducing implementation and support costs resulting in improved gross margin; and developing innovative capabilities of our IP proxy product to expand potential customers and maximize sales potential of our solution. We continued to receive market validation for our products' technological superiority by receiving a prestigious order from one of the leading intelligence agencies in the world and in a number of prestigious engagements with the most professional and industry-leading distribution agencies."

Mr. Daniel added, "In addition, we were able to strengthen the Company's balance sheet and raise significant funds that will provide us the ability to continue growing organically as well as in the form of successful acquisitions such as the acquisition of NetNut during 2019. We are proud of the fact that despite this challenging period, we continued to work hard at full capacity, while maintaining efficient operations with minimal expenses."

Recent Material Developments:

- On July 7, 2020, Safe-T announced the expansion of its indirect partner sales channel by more than 25 new partners;

- On July 22, 2020, we completed a registered direct offering of ADSs and pre-funded warrants with gross proceeds of approximately $5,907,000;

- Between July 1, 2020 and August 28, 2020, 739,000 warrants from Safe-T's April 23, 2020 underwritten public offering, were exercised, for an aggregate of $887,000, in addition to the exercise of 435,000 pre-funded warrants from the Company's July 2020 registered direct offering;

- On August 24, 2020, we announced the launch by our wholly owned subsidiary, NetNut Ltd., of its Dynamic Residential Proxy network in Europe and Asia.

Second Quarter 2020 Corporate Highlights:

- On April 6, 2020, we completed a registered direct offering of ADSs with gross proceeds of $720,000;

- In April 2020, we retired in full $8.23 million in outstanding debenture debt, pertaining to the convertible debentures issued during April 2019 through December 2019, predominantly to finance the acquisition of our IP proxy business, NetNut Ltd.;

- On April 23, 2020, we completed a public offering of ADSs, pre-funded warrants and warrants with gross proceeds of approximately $8,392,000;

- All pre-funded warrants to purchase 6,777,500 ADSs, issued in our April 23, 2020 public offering were exercised in full through June 30, 2020;

- Warrants to purchase 2,320,000 ADSs that were issued in the April 23, 2020 public offering were exercised through June 30, 2020, for an aggregate of $2,784,000;

- On June 22, 2020, Safe-T announced that it was named as a Representative Vendor in Gartner's June 2020 Market Guide for Zero Trust Network Access;

- On June 25, 2020, Safe-T announced the launch of its Perimeter Access Orchestration Fabric (PAOF) solution for Secure Remote Access;
- On June 29, 2020, Safe-T launched its Zero-Trust Secure File Access Solution and received its first order from a leading intelligence unit.

COVID-19 Impacts

The COVID-19 outbreak has forced us to modify our business practices and we have adopted early and strict prevention measures to protect the health of our employees (including employees' travel, employees' work locations and cancellation of physical participation in meetings, events and conferences). Thanks to the resilience of our operational capabilities, we have been able to continuously serve our clients during this crisis. We leveraged our IT expertise to implement remote connections with employees, customers and vendors to deliver a functional and productive work-from-home strategy.

Due to an almost complete freeze in the travel sector, we experienced a reduction in revenue of some of the IP proxy business sectors. At the same time, this business recently gained new entry into the cyber-security market and launched its Dynamic Residential Proxy network in Europe and Asia, that we believe can compensate for the travel sector-related revenue reduction. Due to the COVID-19 lack of visibility implications, the decision making of customers in the cyber-security business had slowed down, and we anticipate longer sale cycles as organizations continue to evaluate their strategic and financial position. Nevertheless, as an agile and responsive business, we believe we are able to put in place the correct measures on health and safety, customer service, cost controls, cash management and employee engagement during this evolving situation. This pandemic in a global, highly connected world, has shown the increased need for secure remote access solutions that we offer, and with our unique ZoneZero® solution, we are able to complete an entire end-to-end sales cycle remotely, from pre-sale stage to final implementation.

Our business, despite the resilience it has shown in the first half of the year, might not be immune to the impact that global lockdowns resulting from the pandemic are having on a number of the markets that we operate in or serve. We may experience a slowdown in the pace of new business in the second half of the year, which we plan to compensate by closely monitoring all parts of the business to make sure we can respond quickly to fluctuations in demand, as well as by executing our M&A strategy in the coming months.

Financial results for the six months ended June 30, 2020:

- Total revenues amounted to $2,165,000 (H1 2019: $821,000). The increase in revenues compared to the first half of 2019 is due to the consolidation of revenues generated by Safe-T's wholly owned subsidiary, NetNut, a provider of IP Proxy Network services, throughout the entire period compared to the consolidation in 2019 which occurred only from NetNut's acquisition on June 12, 2019 until the period ended on June 30, 3019. The increase was partially offset by a reduction in the sales of the Secure Data Exchange (SDE) product, as part of the Company's strategic plan to focus on the Software Defined Perimeter (SDP) market with its Zero Trust solutions;
- Cost of revenues totaled $1,121,000 (H1 2019: $416,000). The increase is mainly due to the consolidation of NetNut's cost of revenues, as well as amortization of NetNut's intangible assets, partially offset by a decrease of costs resulting from the streamlining of support and post sales teams;
- Research and development (R&D) expenses were $793,000 (H1 2019: $1,373,000). The decrease is due to a reduction in the SDE solution development costs, partially offset by the consolidation of NetNut's development costs;
- Sales and marketing expenses totaled $1,781,000 (H1 2019: $1,637,000). The increase is primarily attributed to consolidation of NetNut's sales and marketing costs, partially offset by efficiency measures and cost reductions in overall sales, professional and marketing costs of the cyber business;
- General and administrative expenses (G&A) totaled $1,495,000 (H1 2019: $1,628,000). The decrease is due to a reduction in share-based payments, partially offset by an increase mainly in salary and professional fees costs as well as the consolidation of NetNut's general and administrative costs;
- IFRS net loss totaled $1,544,000, or $0.01 basic loss per ordinary share (H1 2019: loss of $2,510,000, or $0.48 basic loss per ordinary share);
- Non-IFRS net loss was $2,309,000, or $0.01 basic loss per ordinary share (H1 2019: loss of $3,526,000, or $0.67 basic loss per ordinary share).

Financial results for the three months ended June 30, 2020:

- Total revenues amounted to $1,077,000 (Q2 2019: $394,000). The increase is mainly attributed to the consolidation of NetNut's revenues, partially offset by a reduction of sales of the Company's SDE product;

- Cost of revenues totaled $570,000 (Q2 2019: $239,000). The increase is mainly due to the consolidation of NetNut's cost of revenues, as well as amortization of NetNut's intangible assets, partially offset by a decrease of costs resulting from the streamlining of support and post sales teams;

- R&D expenses were $399,000 (Q2 2019: $559,000). The decrease is mainly attributed to a decrease in costs in connection with the streamlining of the R&D team, partially offset by the consolidation of NetNut's development costs;

- Sales and marketing expenses totaled $919,000 (Q2 2019: $739,000). The increase is primarily attributed to consolidation of NetNut's sales and marketing costs, partially offset by efficiency measures and cost reductions in overall sales, professional and marketing costs;

- G&A expenses totaled $918,000 (Q2 2019: $956,000). The decrease is due to a reduction in share-based payments, partially offset by an increase mainly in salary and professional fees costs as well as the consolidation of NetNut's general and administrative costs;

- IFRS net loss totaled $2,227,000, or $0.01 basic earnings per ordinary share (Q2 2019: loss of $226,000, or $0.04 basic loss per ordinary share);

- Non-IFRS net loss was $1,321,000, or $0.00 basic loss per ordinary share (Q2 2019: loss of $1,744,000, or $0.29 basic loss per ordinary share).

All descriptions of Safe-T's share capital in this press release, including share amounts and per share amounts, are presented after giving effect to the reverse split that the Company affected on October 21, 2019.

The following table presents the reconciled effect of the non-cash expenses/income and one-time expenses further described below on the Company's net loss for the six and three-month periods ended June 30, 2020 and 2019, and for the year ended December 31, 2019:

	For the Six-Month Period Ended June 30,		For the Three-Month Period Ended June 30,		For the year Ended December 31,
(thousands of U.S. dollars)	2020	2019	2020	2019	2019
Net loss for the period	1,544	2,510	2,227	226	12,998
Issuance and acquisition costs	156	-	156	-	790
Amortization and impairment of intangible assets and goodwill	1,307	201	253	126	2,105
Share-based compensation	41	529	12	275	454
Finance liabilities at fair value	(2,269)	(1,746)	485	(1,919)	2,596
Total adjustment	(765)	(1,016)	906	(1,518)	5,945
Non-IFRS net loss	2,309	3,526	1,321	1,744	7,053

<u>Balance Sheet Highlights</u>

- As of June 30, 2020, shareholders' equity totaled $15,431,000, or an amount of approximately $1.17 per outstanding ADS as of June 30, 2020, compared to shareholders' equity of $2,777,000 on December 31, 2019. The increase is due mainly to equity raised through the issuance of ADSs and pre-funded warrants and warrant exercises as well as debenture conversions, partially offset by our operating loss during the first half of 2020.

- As of June 30, 2020, the Company's cash balance was $9,771,000.

Use of Non-IFRS Financial Results

In addition to disclosing financial results calculated in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board, this press release contains non-IFRS financial measures of net loss for the periods presented that exclude the effect of share-based compensation expenses, amortization of intangible assets, non-cash issuance and acquisition expenses and the revaluation of finance liabilities at fair value. The Company's management believes the non-IFRS financial information provided in this release is useful to investors' understanding and assessment of the Company's ongoing operations. Management also uses both IFRS and non-IFRS information in evaluating and operating its business internally, and as such deemed it important to provide this information to investors. The non-IFRS financial measures disclosed by the Company should not be considered in isolation, or as a substitute for, or superior to, financial measures calculated in accordance with IFRS, and the financial results calculated in accordance with IFRS and reconciliations to those financial statements should be carefully evaluated. Investors are encouraged to review the reconciliations of these non-IFRS measures to their most directly comparable IFRS financial measures provided in the financial statement tables herein.

About Safe-T® Group Ltd.

Safe-T Group Ltd. (Nasdaq, TASE: SFET) is a provider of Zero Trust Access solutions which mitigate attacks on enterprises' business-critical services and sensitive data, while ensuring uninterrupted business continuity. Safe-T's cloud and on-premises solutions ensure that an organization's access use cases, whether into the organization or from the organization out to the internet, are secured according to the "validate first, access later" philosophy of Zero Trust. This means that no one is trusted by default from inside or outside the network, and verification is required from everyone trying to gain access to resources on the network or in the cloud.

Safe-T's wide range of access solutions reduce organizations' attack surface and improve their ability to defend against modern cyberthreats. As an additional layer of security, our integrated business-grade global proxy solution cloud service enables smooth and efficient traffic flow, interruption-free service, unlimited concurrent connections, instant scaling and simple integration with our services.

With Safe-T's patented reverse-access technology and proprietary routing technology, organizations of all size and type can secure their data, services and networks against internal and external threats.

Safe-T's SDP solution on AWS Marketplace is available here.

For more information about Safe-T, visit www.safe-t.com

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 and other Federal securities laws. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements. For example, Safe-T is using forward-looking statements in this press release when it discusses its outlook for the future, the expanding of potential customers and maximization of sales potential of its solution, the increasing interest in its innovative solutions, the positive results and growth over time, the impact of COVID-19, closely monitoring the Company's business in order to respond quickly to fluctuations in demand and the ability to continue growing organically as well as executing its M&A strategy. Because such statements deal with future events and are based on Safe-T's current expectations, they are subject to various risks and uncertainties and actual results, performance or achievements of Safe-T could differ materially from those described in or implied by the statements in this press release. The forward-looking statements contained or implied in this press release are subject to other risks and uncertainties, including those discussed under the heading "Risk Factors" in Safe-T's annual report on Form 20-F filed with the Securities and Exchange Commission ("SEC") on March 31, 2020, and in any subsequent filings with the SEC. Except as otherwise required by law, Safe-T undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. References and links to websites have been provided as a convenience, and the information contained on such websites is not incorporated by reference into this press release. Safe-T is not responsible for the contents of third-party websites.

CONTACT INVESTOR RELATIONS:
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Consolidated Statements of Financial Position
(In thousands of USD)

	June 30, 2020	June 30, 2019	December 31, 2019
	(Unaudited)	(Unaudited)	(Audited)
Assets			
Current assets:			
Cash and cash equivalents	9,771	943	4,341
Restricted deposits	-	107	29
Trade receivables	547	781	680
Other receivables	380	1,451	470
Total current assets	**10,698**	**3,282**	**5,520**
Non-current assets:			
Long-term restricted deposits	82	-	82
Long-term deposit	47	-	44
Property, plant and equipment, net	195	330	266
Right of use assets	393	534	441
Goodwill	6,077	8,112	6,877
Intangible assets, net	4,100	5,510	4,607
Total non-current assets	**10,894**	**14,486**	**12,317**
Total assets	**21,592**	**17,768**	**17,837**
Liabilities and equity			
Current liabilities:			
Short-term loan	-	24	4
Trade payables	102	1,602	237
Other payables	1,130	1,325	1,553
Contract liabilities	439	615	562
Contingent consideration	1,000	2,011	2,170
Convertible debentures	-	-	7,151
Derivative financial instruments	1,978	-	1,637
Short-term lease liabilities	175	219	184
Liability in respect of the Israeli Innovation Authority	-	27	8
Total current liabilities	**4,824**	**5,823**	**13,506**
Non-current liabilities:			
Contract liabilities	33	186	82
Long-term lease liabilities	264	367	324
Deferred tax liabilities	918	1,021	1,040
Derivative financial instruments	-	1,327	-
Convertible debentures	-	2,527	-
Liability in respect of the Israeli Innovation Authority	122	94	108
Total non-current liabilities	**1,337**	**5,522**	**1,554**
Total liabilities	**6,161**	**11,345**	**15,060**
Equity:			
Ordinary shares	-	-	-
Share premium	64,821	46,604	52,394
Other equity reserves	14,841	12,018	13,070
Accumulated deficit	(64,231)	(52,199)	(62,687)
Total equity	**15,431**	**6,423**	**2,777**
Total liabilities and equity	**21,592**	**17,768**	**17,837**

Consolidated Statements of Profit or Loss

(In thousands of USD, except per share amounts)

	For the Six Months Ended June 30,		For the Three Months Ended June 30,		For the Year Ended December 31,
	2020	2019	2020	2019	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenues	2,165	821	1,077	394	3,284
Cost of revenues	1,121	416	570	239	1,889
Gross profit	1,044	405	507	155	1,395
Research and development expenses	793	1,373	399	559	2,485
Sales and marketing expenses	1,781	1,637	919	739	3,783
General and administrative expenses	1,495	1,628	918	956	3,757
Impairment of goodwill	800	-	-	-	1,002
Contingent consideration measurement	430	-	-	-	159
Operating expenses	(5,299)	(4,638	(2,236)	(2,254)	(11,186)
Operating loss	(4,255)	(4,233	(1,729)	(2,099)	(9,791)
Finance income (expenses), net	2,589	1,720	(559)	1,870	(3,184)
Tax benefit (taxes on income)	122	3	61	3	(23)
Net loss	**(1,544)**	**(2,510**	**(2,227)**	**(226)**	**(12,998)**
Basic loss per share*	(0.01)	(0.48	(0.01)	(0.04)	(0.96)
Diluted loss per share*	(0.02)	(0.48	(0.01)	(0.12)	(1.03)

* Adjusted retrospectively to reflect a 20:1 reverse share split of our ordinary shares effective as October 21, 2019

Exhibit 99.2

SAFE-T GROUP LTD.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

JUNE 30, 2020

SAFE-T GROUP LTD.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

JUNE 30, 2020

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SAFE-T GROUP LTD.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)

	June 30, 2020	December 31, 2019
	U.S. dollars in thousands	
Assets		
CURRENT ASSETS:		
Cash and cash equivalents	9,771	4,341
Restricted deposits	-	29
Accounts receivable:		
Trade, net	547	680
Other	380	470
	10,698	5,520
NON-CURRENT ASSETS:		
Long-term restricted deposits	82	82
Long-term deposit	47	44
Property, plant and equipment, net	195	266
Right of use assets	393	441
Intangible assets, net	4,100	4,607
Goodwill	6,077	6,877
	10,894	12,317
TOTAL ASSETS	21,592	17,837
Liabilities and equity		
CURRENT LIABILITIES:		
Short-term loan	-	4
Accounts payable and accruals:		
Trade	102	237
Other	1,130	1,553
Contract liabilities	439	562
Contingent consideration	1,000	2,170
Convertible debentures	-	7,151
Derivative financial instruments	1,978	1,637
Short-term lease liabilities	175	184
Liability in respect of the Israeli Innovation Authority	-	8
	4,824	13,506
NON-CURRENT LIABILITIES:		
Contract liabilities	33	82
Long-term lease liabilities	264	324
Deferred tax liabilities	918	1,040
Liability in respect of the Israeli Innovation Authority	122	108
	1,337	1,554
TOTAL LIABILITIES	6,161	15,060
EQUITY:		
Ordinary shares	-	-
Share premium	64,821	52,394
Other equity reserves	14,841	13,070
Accumulated deficit	(64,231)	(62,687)
TOTAL EQUITY	15,431	2,777
TOTAL EQUITY AND LIABILITIES	21,592	17,837

The accompanying notes are an integral part of these condensed consolidated financial statements.

SAFE-T GROUP LTD.
CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
(Unaudited)

	Six-month period ended June 30		Three-month period ended June 30	
	2020	**2019**	**2020**	**2019**
	U.S. dollars in thousands (except share data)			
REVENUES	2,165	821	1,077	394
COST OF REVENUES	1,121	416	570	239
GROSS PROFIT	1,044	405	507	155
OPERATING EXPENSES:				
Research and development expenses	793	1,373	399	559
Selling and marketing expenses	1,781	1,637	919	739
General and administrative expenses	1,495	1,628	918	956
Impairment of goodwill	800	-	-	-
Contingent consideration measurement	430	-	-	-
TOTAL OPERATING EXPENSES	5,299	4,638	2,236	2,254
OPERATING LOSS	(4,255)	(4,233)	(1,729)	(2,099)
FINANCIAL EXPENSE	(55)	(221)	(3)	(44)
FINANCIAL INCOME	2,644	1,941	(556)	1,914
FINANCIAL INCOME (EXPENSE), net	2,589	1,720	(559)	1,870
LOSS BEFORE TAXES ON INCOME	(1,666)	(2,513)	(2,288)	(229)
TAXES ON INCOME	122	3	61	3
NET LOSS FOR THE PERIOD	(1,544)	(2,510)	(2,227)	(226)
BASIC LOSS PER SHARE (IN DOLLARS)	(0.01)	(0.48)	(0.01)	(0.04)
DILUTED LOSS PER SHARE (IN DOLLARS)	(0.02)	(0.48)	(0.01)	(0.12)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING USED TO COMPUTE (IN THOUSANDS):				
BASIC LOSS PER SHARE	199,293	5,607	330,347	6,117
DILUTED LOSS PER SHARE	278,249	6,722	368,065	10,731

The accompanying notes are an integral part of these condensed consolidated financial statements.

SAFE-T GROUP LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

	Ordinary shares	Share premium	Other equity reserves	Accumulated deficit	Total
	U.S. dollars in thousands				
BALANCE AT JANUARY 1, 2020		52,394	13,070	(62,687)	2,777
CHANGES DURING THE SIX-MONTH PERIOD ENDED JUNE 30, 2020:					
Conversion of convertible debentures	-	3,414	-	-	3,414
Exercise of warrants and pre-funded warrants	-	7,853	(5,062)	-	2,791
Exercise of options	-	8	(8)	-	-
Expiry of options	-	3	(3)	-	-
Share-based payments	-	-	41	-	41
Public and direct registered offerings, net of issuance costs of $1,161 thousand	-	1,149	6,803	-	7,952
Net loss for the period	-	-	-	(1,544)	(1,544)
BALANCE AT JUNE 30, 2020	-	64,821	14,841	(64,231)	15,431
BALANCE AT JANUARY 1, 2019	-	41,594	11,805	(49,689)	3,710
CHANGES DURING THE SIX-MONTH PERIOD ENDED JUNE 30, 2019:					
Conversion of convertible debentures	-	224	-	-	224
Issuance of shares in a business combination	-	3,568	-	-	3,568
Exercise of options	-	902	-	-	902
Issuance of shares and options to service providers	-	129	155	-	284
Expiry of options	-	187	(187)	-	-
Share-based payments	-	-	245	-	245
Net loss for the period	-	-	-	(2,510)	(2,510)
BALANCE AT JUNE 30, 2019	-	46,604	12,018	(52,199)	6,423

The accompanying notes are an integral part of these condensed consolidated financial statements.

SAFE-T GROUP LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six-month period ended June 30	
	2020	**2019**
	U.S. dollars in thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the period	(1,544)	(2,510)
Adjustments required to reflect the cash flows from operating activities:		
Effect of exchange rate differences on cash and cash equivalents balances	(240)	(40)
Change in financial liabilities at fair value through profit or loss	(2,372)	(1,746)
Impairment of goodwill	800	-
Exchange rate differences related to restricted deposits	1	(3)
Depreciation and amortization	685	277
Interest expenses related to convertible debentures	86	-
Share-based payments	41	684
	(999)	(828)
Changes in operating asset and liability items:		
Decrease in trade receivables	133	203
Decrease (increase) in other receivables	87	(1,045)
Increase (decrease) in trade payables	(135)	1,329
Decrease in other payables	(409)	(112)
Decrease in deferred tax liabilities	(122)	(5)
Decrease in contract liabilities	(172)	(42)
	(618)	328
Net cash used in operating activities	(3,161)	(3,010)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Business combination, net of cash acquired, see note 8	-	(5,741)
Restricted deposits	28	-
Purchase of property, plant and equipment	(14)	(17)
Net cash provided by (used in) investing activities	14	(5,758)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Israeli Innovation Authority, net	(8)	(22)
Proceeds from issuance of convertible debentures	-	6,000
Payment of contingent consideration	(1,600)	-
Lease payments (interest and principal)	(114)	(24)
Repayment of convertible debentures	(680)	-
Payment of loans and other financial liabilities	(4)	-
Proceeds from public offerings, net of issuance expenses	7,952	-
Proceeds from exercise of options and warrants	2,791	-
Net cash provided by financing activities	8,337	5,954

The accompanying notes are an integral part of these condensed consolidated financial statements.

SAFE-T GROUP LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six-month period ended June 30	
	2020	**2019**
	U.S. dollars in thousands	
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,190	(2,814)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,341	3,717
EFFECT OF EXCHANGE RATE DIFFERENCES IN RESPECT OF CASH AND CASH EQUIVALENTS	240	40
CASH AND CASH EQUIVALENTS AT END OF PERIOD	9,771	943
SUPPLEMENTARY DATA ON ACTIVITIES NOT INVOLVING CASH FLOWS:		
Shares issued in a business combination, see note 8	-	3,568
Conversion of convertible debenture into ordinary shares and warrants, see note 6	4,778	224
Classification to equity of series B warrants	-	902
Contingent consideration assumed in a business combination, see note 8	-	2,008

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTE 1 - GENERAL:

a. Safe-T Group Ltd. (the "Company") is a holding company, which is engaged, as of the date hereof, (i) through its subsidiaries Safe-T Data A.R Ltd. ("Safe-T") and Safe-T USA Inc. ("Safe-T Inc.") in the development, marketing and sales of solutions which mitigate attacks on enterprises' business-critical services and sensitive data, while ensuring uninterrupted business continuity as well as enabling smooth and efficient traffic flow, interruption-free service; and (ii) through its subsidiary NetNut Ltd. ("NetNut") in providing IP proxy service to business customers. For further information regarding NetNut acquisition on June 12, 2019, see note 8.

b. The Company's ordinary shares are listed on the Tel Aviv Stock Exchange Ltd. ("TASE") and as of August 17, 2018, the Company's American Depositary Shares (the "ADSs") are listed on the Nasdaq Capital Market ("Nasdaq").

c. On September 26, 2019, the Company's shareholders approved a reverse split of the share capital of the Company by a ratio of up to 20:1, to be effective at the ratio and date to be determined by the Company's Board of Directors (the "Board of Directors"). On October 2, 2019, the Board of Directors resolved that the final ratio will be 20:1, which became effective on October 21, 2019 (the "Reverse Split"). All descriptions of the Company's share capital in these condensed consolidated financial statements, including share amounts and per share amounts, are presented after giving effect to the Reverse Split.

d. The spread of COVID-19 has forced the Company to modify its business practices (including employee travel, employee work locations and cancellation of physical participation in meetings, events and conferences). Further actions may be taken as required. In responding to the crisis, the Company leveraged its IT capabilities to implement remote connections with employees, customers and vendors to deliver a functional and productive work-from-home strategy.

Due to an almost complete freeze in the travel sector, the Company experienced a reduction of approximately 10% in revenue from the IP proxy business. At the same time, this business just recently gained new entry into the cyber-security market, which the Company believes may compensate for the revenue reduction mentioned above.

Also, due to the COVID-19 lack of visibility implications, the decision making of customers in the cyber security business had slowed down, such that it may affect the pace of the Company's growth plans for the remainder of 2020.

Overall, the Company is closely monitoring all parts of the business to ensure that it can respond quickly to fluctuations in demand. Refer also note 9.

e. The Company has suffered recurring losses from operations, has an accumulated deficit as of June 30, 2020, as well as negative operating cash flows in recent years. The Company expects to continue incurring losses and negative cash flows from operations until its products reach commercial profitability. The Company monitors its cash flow projections on a current basis and takes active measures to obtain the funding it requires to continue its operations. These cash flow projections are subject to various risks and uncertainties concerning their fulfilment. These factors and the risk inherent in the Company's operations raise a substantial doubt as to the Company's ability to continue as a going concern. These consolidated financial statements have been prepared assuming that the Company will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

Management's plans include the continued commercialization of the Company's products and raising capital through the sale of additional equity securities, debt or capital inflows from strategic partnerships. There are no assurances however, that the Company will be successful in obtaining the level of financing needed for its operations. If the Company is unsuccessful in commercializing its products and raising capital, it may need to reduce activities, curtail or cease operations.

NOTE 2 - BASIS OF PREPARATION:

a. Basis of presentation

The Company's condensed consolidated financial statements for the six and three month periods ended June 30, 2020 have been prepared in accordance with International Accounting Standard (hereinafter - "IAS") 34, "Interim Financial Reporting". These condensed consolidated financial statements, which are unaudited, do not include all the information and disclosures that would otherwise be required in a complete set of annual financial statements and should be read in conjunction with the annual financial statements as of December 31, 2019 and their accompanying notes, which have been prepared in accordance with International Financial Reporting Standards (hereinafter - "IFRS") as published by the International Accounting Standards Board (hereinafter – "IASB"). The results of operations for the six and three month periods ended June 30, 2020 are not necessarily indicative of the results that may be expected for the entire fiscal year ending December 31, 2020, or for any other interim period.

NOTE 2 - BASIS OF PREPARATION (continued)**:**

b. Estimates

The preparation of interim financial statements requires the Company's management to exercise its judgment and to use significant accounting estimates and assumptions that affect the application of the Company's accounting policies and the amounts of reported assets, liabilities, income and expenses. Actual results may materially differ from those estimates.

In preparation of these condensed consolidated financial statements, the significant judgments that were exercised by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were similar to those applied in the Company's annual financial statements for the year ended December 31, 2019.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies applied in the preparation of these condensed consolidated financial statements are consistent with those applied in the preparation of the annual financial statements as of December 31, 2019, unless otherwise indicated.

NOTE 4 - DISAGGREGATED REVENUE DATA:

Set forth below is a breakdown of the Company's revenue by revenue stream:

	Six-month period ended June 30		Three-month period ended June 30	
	2020	2019	2020	2019
	U.S. dollars in thousands			
Revenues:				
Revenues from licenses	119	328	15	50
Revenues from provision of maintenance and support services	284	360	125	219
Revenues from proxy services	1,754	119	937	119
Revenues from other license related services	8	14	-	6
Total revenues	2,165	821	1,077	394

NOTE 5 - FINANCIAL INSTRUMENTS AND FINANCIAL RISKS:

a. Fair value disclosure

Level 1 and level 2 financial instruments:

As of June 30, 2020 and December 31, 2019, the Company has no financial asset or liability measured at level 1 or level 2.

Level 3 financial instruments:

The Company has several financial liabilities measured at fair value through profit or loss, which meet the level 3 criteria as of June 30, 2020 and December 31, 2019.

b. Fair value measurements based on unobservable data (level 3)

The Company evaluated the fair value of convertible debentures, contingent consideration and derivative financial instruments that were issued in connection with capital raising rounds.

The following table presents the changes in level 3 instruments for the six-month period ended June 30, 2020 (unaudited):

	Contingent consideration	Convertible debentures	Derivative financial instruments	Total
	U.S. dollars in thousands			
Balance as of January 1, 2020	2,170	7,151	1,637	10,958
Payment	(1,600)	-	-	(1,600)
Repayment of convertible debentures	-	(680)	-	(680)
Initial recognition of financial liability	-	-	1,450	1,450
Conversion to equity or other financial liability	-	(4,778)	-	(4,778)
Recognition of day 1 loss within profit or loss	-	-	164	164
Changes in fair value recognized within profit or loss	430	(1,693)	(1,273)	(2,536)
Balance as of June 30, 2020	1,000	-	1,978	2,978

The following table presents the changes in level 3 instruments for the three-month period ended June 30, 2020 (unaudited):

	Contingent consideration	Convertible debentures	Derivative financial instruments	Total
	U.S. dollars in thousands			
Balance as of April 1, 2020	2,600	4,431	822	7,853
Payment	(1,600)	-	-	(1,600)
Repayment of convertible debentures	-	(680)	-	(680)
Initial recognition of financial liability	-	-	1,378	1,378
Conversion to equity or other financial liability	-	(4,430)	-	(4,430)
Recognition of day 1 loss within profit or loss	-	-	82	82
Changes in fair value recognized within profit or loss	-	679	(304)	375
Balance as of June 30, 2020	1,000	-	1,978	2,978

NOTE 5 - FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (continued):

c. Fair value of financial assets and financial liabilities measured at amortized cost

Assets and liabilities which are not measured on a recurrent basis at fair value are presented at their carrying amount, which approximates their fair value.

NOTE 6 - CONVERTIBLE DEBENTURES:

On April 9, 2019, the Company entered into a Securities Purchase Agreement (the "April 2019 SPA") with certain lenders (the "Lenders"), according to which, the Company obtained a convertible loan in an aggregate amount of $6 million, for the issuance of convertible debentures (the "Convertible Debentures," or the "Debentures") and 146,341 warrants (the "Warrants") to purchase up to 146,341 ADSs. The first tranche of the loan, in the amount of $1 million was received during April 2019, and the second tranche, in the amount of $5 million, was received during June 2019.

The Convertible Debentures had an 18-month term from issuance and bore interest at 8% per annum payable quarterly in cash or ADSs. The Debentures' initial conversion price was set to $41 per ADS, and then was several times reset following triggering of an adjustment mechanism that was agreed upon in the April 2019 Agreement, setting forth that the conversion price will be reset, if there is a subsequent issuance of the Company's securities below the conversion price, to the price of the subsequent issuance. The Debentures contained other customary anti-dilution features, with the Black-Scholes value of the Debentures payable upon the occurrence of a fundamental transaction. The Debentures were redeemable by the Company after the effective date, which was set as June 4, 2019, upon a 20 trading days prior notice to the Lenders at 120% of the principal amount of the Debentures, plus accrued interest.

Upon issuance, the Warrants had an exercise price of $47.15 per ADS, with 100% warrant coverage to the value of the Debentures. The Warrants had a five-year term and were exercisable for cash or on a cashless basis if no resale registration statement is available for resale of the ADSs issuable upon exercise. The exercise price of the Warrants was reset several times, in accordance with the adjustment mechanism setting forth that, if within 18-month from the issuance of the Warrants there is a subsequent issuance of the Company's securities below the exercise price, the exercise price will be reset to the price of the subsequent issuance. The Warrants contained other customary anti-dilution features, with the Black-Scholes value of the Warrants payable upon the occurrence of a fundamental transaction.

Each Lender was granted with a 12-month participation right in a subsequent financing, up to the amount equal to 50% of the subsequent financing, which expired on June 5, 2020. The Lenders had a right to purchase additional debentures on the same terms until six months from June 4, 2019 ("Greenshoe Option"). The Lenders also had a most favored nation right (the "Most Favored Nation Right") for the term of the debenture with respect to a subsequent financing on better terms, such that the Lenders may convert into the subsequent financing terms on a dollar-for-dollar basis. Each of the Company's wholly owned subsidiaries guaranteed the obligations under the April 2019 SPA. The Debentures and Warrants contained customary beneficial ownership blockers for the Lenders, which prevented a Lender from acquiring a controlling block in the Company.

On July 22, 2019, the Company signed a repricing agreement with the Lenders (the "Repricing Agreement") pursuant to which in exchange for the exercise of 36,232 Warrants into ADSs, the Company reduced the exercise price of these Warrants to $27.60 per ADS. The Repricing Agreement was considered as a dilutive issuance, and as a result triggered also the adjustment of the Debenture conversion price and the exercise price of other outstanding Warrants to $27.60.

Following the execution of the Repricing Agreement, the Lenders exercised the Warrants into 36,232 ADSs (representing 1,449,280 ordinary shares of the Company) on July 24, 2019, for consideration of $1 million.

On August 30, 2019, the Company signed an additional repricing agreement (the "Second Repricing Agreement") with one of the Lenders pursuant to which in exchange for the exercise of 5,020 Warrants into ADSs, the Company reduced the exercise price of these Warrants to $19.92 per ADS.

NOTE 6 - CONVERTIBLE DEBENTURES (continued):

The Second Repricing Agreement was considered, again, as a dilutive issuance, and as a result triggered another adjustment of the Debenture conversion price and the exercise price of other outstanding Warrants to $19.92.

Following the execution of the Second Repricing Agreement, the Lender exercised the said Warrants into 5,020 ADSs (representing 200,800 ordinary shares of the Company) on August 30, 2019 for consideration of $100 thousand.

On August 30, 2019, pursuant to a partial exercise of such Lenders' Greenshoe Option, the Company signed a second securities purchase agreement, according to which the Company obtained another convertible loan from one of the Lenders in the amount of $400 thousand (the "August Greenshoe Debentures"). The August Greenshoe Debentures have an 18-month term from issuance and bear interest at 8% per annum payable quarterly in cash or ADSs. Upon issuance, the August Greenshoe Debentures were convertible at $19.92. The conversion price of the August Greenshoe Debentures would reset, but not below $8 per ADS, if there was a subsequent issuance of the Company's securities below the conversion price per share, to the price of the subsequent issuance.

On October 31, 2019, the Company signed an additional securities purchase agreement, according to which the Company obtained another convertible loan from one of the Lenders, who partially exercised its Greenshoe Option in the amount of $500 thousand (the "October Greenshoe Debentures"). The October Greenshoe Debentures had an 18-month term from issuance and bear interest at 8% per annum payable quarterly in cash or ADSs. The October Greenshoe Debentures' initial conversion price was $8.00 per ADS, subject to adjustments. The Company also signed an amendment to the April 2019 SPA with this Lender, that in exchange for waiving his Most Favored Nation Right with respect to the November 5, 2019 public offering, this Lender was able to exercise this right at any time following this offering, under the offering terms.

On November 5, 2019, the Company repaid Debentures in the amount of $470 thousand to the other Lender. Also, the Company paid to the other Lender an amount of $330 thousand for waiving his Most Favored Nation Right with respect only to the November 5, 2019 public offering. Following a public offering of the Company's ADSs on November 5, 2019, the outstanding Warrants price of the said Lender was reset to $8.00.

The Company also agreed with one of the Lenders that he may exercise his respective Most Favored Nation Rights at any time for their total outstanding Debenture balance, while the respective Debenture was outstanding, in connection with the Company's November 2019 Public Offering. If the Lender decided to exercise his Most Favored Nation Rights in connection with the November 2019 Public Offering, then the Lender would exchange his debentures for (i) ADSs at an exchange rate equal to $7.00, the per ADS offering price in the November 2019 Public Offering, and (ii) an even number of ADS purchase warrants at $7.70 per ADS (the "$7.70 MFN Warrants"), which $7.70 MFN Warrants were to be in form and substance identical to the warrants issued in the concurrent private placement to the November 2019 Public Offering, except for also having cashless exercise mechanism.

During November 2019, the lender converted debentures at an aggregate amount of approximately $1.6million, and was issued with 344,144 $7.70 MFN Warrants at expiration terms of 5 years from issuance.

On December 4, 2019, the Company agreed to extend the Lenders' Greenshoe Option, until January 4, 2020.

On December 26, 2019, the Company closed a registered direct offering (the "December 2019 Registered Direct Offering"), providing for the issuance of ADSs and pre-funded warrants, each to purchase one ADS. Additionally, in a concurrent private placement, the Company issued to the investors unregistered warrants to purchase ADSs.

NOTE 6 - CONVERTIBLE DEBENTURES (continued)**:**

On December 26, 2019, the Company signed an additional securities purchase agreement, according to which the Company obtained another convertible loan from the Lenders, who partially exercised their Greenshoe Option in the approximate amount of $666 thousand for each Lender, for a total of $1,332 thousand (the "December Greenshoe Debentures"). The December Greenshoe Debentures had an 18-month term from issuance and bear interest at 8% per annum payable quarterly in cash or ADSs. According to the agreement, the December Greenshoe Debentures as well as all previous outstanding Debentures, are convertible at $8.00, subject to adjustments. In addition, the Lenders had a Most Favored Nation Right for a subsequent financing on better terms, for the term of the Debentures, for the December Greenshoe Debentures as well as for all previous outstanding Debentures in the amount of $3,854 thousand, such that the Lenders were able to convert into the subsequent financing on a dollar-for-dollar basis or at the terms of the December 2019 Registered Direct Offering.

The Company has also agreed with the Lenders that the Lenders may exercise their respective Most Favored Nation Rights at any time for their total outstanding Debenture balance, while the respective Debenture is outstanding, in connection with the Company's December 2019 Registered Direct Offering. If the Lenders decided to exercise their Most Favored Nation Rights in connection with the December 2019 Registered Direct Offering, then the Lenders would exchange their debentures for (i) ADSs at an exchange rate equal to $3.15, the per ADS offering price in the December 2019 Registered Direct Offering, and (ii) an even number of ADS purchase warrants at $3.30 per ADS (the "$3.30 MFN Warrants"), which $3.30 MFN Warrants would be in form and substance identical to the warrants issued in the concurrent private placement to the December 2019 Registered Direct Offering.

During 2019, the Lenders were issued 410,045 ADSs (16,401,808 ordinary shares) upon conversion of Debentures including interest, as well as exercises of Warrants, and as a result, a net amount of $3,262 thousand was classified to equity. As of December 31, 2019, the actual outstanding amount of the Debentures principle summed to $3,854 thousand.

On January 4, 2020, the Greenshoe Option of the Lenders expired, with no additional exercises of the right.

During the period from January 1, 2020 through April 1, 2020, the Lenders were issued 1,092,575 ADSs upon conversion of Debentures including interest. Also, they were issued with 1,053,417 $3.30 MFN Warrants, which can be exercised into 1,053,417 ADSs.

On April 1, 2020 the Company converted in full its outstanding Debenture to one of the Lenders, excluding periodical interest payment, which accrued up to such date. On June 1, 2020, the Company issued to this Lender 17,133 ADSs on behalf the final and last accrued interest payment.

During the period from December 26, 2019 through April 1, 2020, the lenders converted Debentures at an aggregate amount of approximately $3.3 million, and were issued with 1,053,417 $3.30 MFN Warrants at expiration terms of 5.5 years from issuance.

On April 23, 2020, the Company retired in full its outstanding Debenture to the other lender, by payment of $836 thousand, which including redemption premium and accrued interest.

For accounting purposes, these financial instruments were classified as financial liabilities in the consolidated statement of financial position as of June 30, 2020 and December 31, 2019 (the Warrants (including MFN Warrants) and Greenshoe Option as "derivative financial instruments" and the Debentures as "convertible debenture"). The Convertible Debentures were designated at fair value through profit or loss, given the conversion option derivative embedded in such instrument. Changes in the Company's own credit risk from the date of initial recognition are negligible. The Warrants (including MFN Warrants) and Greenshoe Option are derivative financial instruments measured at fair value through profit or loss. These financial liabilities were initially recognized at fair value, adjusted to reflect the day 1 loss and are measured at fair value in each period-end while unrecognized day 1 loss is amortized over the contractual life of each instrument.

NOTE 7 - EQUITY:

a. Composition of share capital:

	Number of shares			
	Authorized	**Issued and paid**	**Authorized**	**Issued and paid**
	June 30, 2020		**December 31, 2019**	
Ordinary shares of no par value	1,500,000,000	527,743,611	250,000,000	56,391,512

b. Increase of the Company's authorized share capital

On January 28, 2020, the Company's shareholders approved an increase of the authorized share capital of the Company by an additional 1,250,000,000 ordinary shares, and to amend and restate the articles of association of the Company to reflect the same.

As of June 30, 2020, the authorized share capital of the Company is comprised of 1,500,000,000 ordinary shares.

c. Public and registered direct offerings:

1) On April 2, 2020, the Company completed a registered direct offering of $720 thousand, before deducting offering expenses. The offering consisted of 450,000 ADSs at a price per ADS of $1.60.

2) On April 23, 2020, the Company completed an additional underwritten public offering of approximately $8.4 million, before deducting underwriting discounts, commissions and other offering expenses. The offering consisted of ((i) 858,600 units (the "Units") of ADS and warrants to purchase one ADS per warrant (the "Warrants"), with each Unit consisting of one ADS and one Warrant, and (ii) 6,777,500 pre-funded units (the "Pre-Funded Units"), with each Pre-Funded Unit consisting of a pre-funded warrant to purchase one ADS (a "Pre-Funded Warrant") and one Warrant.

   Each Unit was sold at a price of $1.10 per unit, and each Pre-Funded Unit was sold at a price of $1.099 per unit, including an exercise price of $0.001 per full ADS. The Pre-Funded Warrants are exercisable at any time after the date of issuance upon payment of the exercise price. The Warrants have a per ADS exercise price of $1.20 per full ADS, are exercisable immediately, and will expire five years from the date of issuance.

   The Company granted the underwriter a 45-day option to purchase up to an additional 1,145,415 ADSs and/or Warrants to cover over-allotments, if any. The underwriter did not exercise its option.

   During the period from January 1, 2020 through June 30, 2020, all the Pre-Funded Warrants were exercised into 6,777,500 ADSs in exchange for an aggregate exercise amount of approximately $7 thousand. Also, 2,320,000 Warrants were exercised into 2,320,000 ADSs in exchange for an aggregate exercise amount of approximately $2.8 million.

d. For further information regarding the Company's issuance of shares, see note 6 and note 8.

NOTE 8 - BUSINESS COMBINATION:

On April 4, 2019, the Company entered into a share and asset purchase agreement (the "Share and Asset Purchase Agreement") with NetNut and its shareholders, pursuant to which the Company acquired all (100%) of the outstanding share capital of NetNut ("Purchased Shares"), a private Israeli company, in the business proxy network solution industry, and certain assets of DiViNetworks Ltd. ("DiVi"), NetNut's former controlling shareholder, which its assets are required for the ongoing operations of NetNut (the "Purchased Assets"). The Purchased Shares and assets acquired were accounted for together as a business combination.

NOTE 8 - BUSINESS COMBINATION (continued):

In consideration for the Purchased Shares, the Company agreed to pay NetNut's shareholders:

An amount equal to $3,400 thousand (the "Initial Shares Purchase Price"), out of which (i) $1,615 thousand was paid on Closing (as defined below) in immediate funds (in addition to an amount of $250 thousand down payment paid by the Company upon signing of Share and Asset Purchase Agreement); (ii) $175 thousand was deposited in escrow; and (iii) $1,360 thousand was paid by issuance of 1,217,370 ordinary shares of the Company (based on NIS 4.062 which is a per share 30-day average price of the Company's ordinary shares on the TASE prior to the date on which the Share and Asset Purchase Agreement was signed (the "Initial Consideration PPS")). The parties agreed that the Initial Shares Purchase Price may be increased or decreased on a dollar-for-dollar basis in the event NetNut has a negative working capital on the date of the Closing. Pursuant to this mechanism, in October 2019 the Initial Shares Purchase Price was decreased by $233 thousand which amount was repaid to the Company.

An amount of up to $5,000 thousand payable in contingent consideration (the "EarnOut Amount"), will be paid and distributed to the shareholders of NetNut upon NetNut achieving certain revenue milestones in 2019, hence, the payment of the payable EarnOut Amount will be deferred to the time when the Company's financial results for the year 2019 are published. The Company, at its sole discretion, may elect to pay up to fifty percent (50%) of the EarnOut Amount in ordinary shares (the "EarnOut Shares"), provided that in any event, the amount of the EarnOut Shares will not exceed 2,237,814 ordinary shares (representing a quotient of half of the maximum EarnOut amount, i.e. $2,500 thousand, divided by the Initial Consideration PPS).

In consideration for the sale, delivery, transfer and assignment of the Purchased Assets, the Company agreed to pay DiVi at Closing:

An aggregate amount equal to $6,300 thousand (the "Assets Purchase Price"). The Assets Purchase Price was paid as follows:

- An amount equal to $3,455 thousand was paid at Closing in immediately payable funds;
- An amount equal to $325 thousand was deposited in escrow; and
- An amount equal to $2,520 thousand was paid at Closing in ordinary shares, issued at a per share price equal to the Initial Consideration PPS, i.e. 2,255,717 ordinary shares.

In connection with the transaction, the Company agreed to pay to certain finders of the transaction a fee equal to the sum of 3% of the total purchase price of the transaction. The Company elected to pay up to 50% of such fee in equity securities of the Company. Accordingly, the Company incurred transaction costs amounting to approximately $312 thousand that were charged to profit or loss within "general and administrative expenses."

On June 12, 2019, the Company completed the acquisition according to the terms mentioned above (the "Closing").

NOTE 8 - BUSINESS COMBINATION (continued):

The tables below summarize the total purchase price paid for NetNut, and the amounts of assets acquired, and liabilities assumed, as of the Closing date, at their fair values:

		As of June 12, 2019
		U.S. dollars in thousands
Purchase price:		
Share consideration calculation:		
Company's market price per share	$ 1.0274	
Number of shares to be issued	3,473,087	
Share consideration		3,568
Cash consideration		5,587
Contingent consideration		2,008
Total purchase price		11,163

The market price per share is the share closing price in the TASE as of June 12, 2019, translated into U.S. dollars using the exchange rate as of such date.

The fair value of the contingent consideration was valued using a Monte Carlo model with the expected sales and volatility as well as the discount rate being the primary inputs. On June 25, 2020, the Company entered into a settlement and release of claims agreement, refer also note 10.

Transaction costs were charged to profit or loss under "general and administrative expenses."

	As of June 12, 2019
	U.S. dollars in thousands
The fair values of the identifiable assets and liabilities:	
Cash and cash equivalents	79
Trade accounts receivable	130
Other accounts receivable	175
Property, plant and equipment	14
Right of use assets	405
Servers	199
Technology and supplier relations	4,651
Customer relations	259
Short-term loan	(24)
Trade accounts payable	(170)
Other accounts payable	(343)
Contract liabilities	(99)
Lease liabilities	(443)
Deferred taxes liabilities	(1,026)
Total identifiable net assets at fair value	3,807
Goodwill	7,356
Total purchase price	11,163

Technology and supplier relations and customer relations are amortized on a straight-line basis over 5 years and 7.5 years, respectively. Goodwill primarily represented the value of expected synergies arising from the acquisition, as well as assembled workforce, and was allocated entirely to the NetNut segment.

On October 3, 2019, the Company received an amount of $233 thousand as a repayment on behalf of the acquisition, due to the acquisition working capital adjustments. The repaid amount was allocated as a deduction to the goodwill amount, which was set to $7,356 thousand.

NOTE 9 - INTANGIBLE ASSETS:

Testing of goodwill impairment

The Company performed a goodwill impairment testing as of March 31, 2020 for its proxy services business.

The indicators for the quantitative assessment for goodwill impairment for the proxy services business included a decrease in forecasted operating results, among others, because of COVID-19 implications. For the purpose of the goodwill impairment testing of the proxy services business, the recoverable amount was assessed by management based on value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections covering an approximately six-year forecasted period alongside with a terminal value beyond such forecast period. Cash flows beyond the six-year period to be generated from continuing use are extrapolated using estimated growth rate. The growth rate represents the long-term average growth rate of the proxy services business. As a result of the impairment test, the Company recognized an impairment loss of $800 thousand related to the proxy services business. As of June 30, 2020, goodwill of the proxy services business amounts to $6,077 thousand.

The key assumptions used as part purpose of the goodwill impairment testing of the proxy services business are terminal growth rate of 2%, after-tax discount rate of 20.9% and pre-tax discount rate of 22.9%.

A hypothetical decrease in the growth rate of 1% or an increase of 1% to the discount rate would reduce the value-in-use of the proxy services business by approximately $311 thousand and $702 thousand, respectively, and could trigger a potential impairment of its goodwill.

During the second quarter of 2020, the Company performed an analysis of the impact of recent events on the fair value of the proxy services business. As part of this analysis, the Company considered the potential impacts of COVID-19 and the sensitivity of estimates and assumptions used in the last impairment test and concluded that the fair value exceeds its carrying amount by more than 9%.

NOTE 10 - CONTINGENT LIABILITIES:

a. Luminati Action

On June 11, 2020, Luminati Networks Ltd. filed an action alleging infringement of patent against several companies, including against NetNut. The action was filed in the United States District Court, Eastern District of Texas, Marshal Division. The complaint was served to the Company on June 30, 2020.

Based on the Company's legal counsel, management is of the opinion that no violation was made by NetNut with respect to the asserted patents. NetNut denies any wrongdoing or liability and intends to defend itself against this complaint. As such, no amounts have been accrued related to the outcome of such claim.

b. Contingent Consideration

In connection with the Share and Asset Purchase Agreement, the Company was required to transfer $300,000 to NetNut prior to June 15, 2019, for the purposes of its business and activities as a wholly-owned subsidiary of the Company. By December 31, 2019, the Company had transferred only $175,000. The Company accounted for EarnOut Amount based on the provisions of the Share and Asset Purchase Agreement which requires a payment of approximately $1.7 million, as well as a provision for an additional potential compensation to NetNut's former shareholders due to the above-mentioned breach.

On June 25, 2020, the Company entered into a settlement and release of claims agreement (the "Settlement Agreement") with certain former shareholders of NetNut (the "Settling Shareholders"), consisting of 80% of the former shareholders of NetNut, pursuant to which the Company will make certain payments to the Settling Shareholders in lieu of paying the Earnout Amount. The Settlement Agreement stated, among other things, that it supersedes and terminates any Earnout Amount related provisions in the Share and Asset Purchase Agreement. Additionally, the Settlement Agreement also contained a mutual release among the parties to the Settlement Agreement. On June 29, 2020, the Company paid $1.6 million on behalf of the Settlement Agreement.

NOTE 10 - CONTINGENT LIABILITIES (continued):

As of June 30, 2020, the Company accrued $1.0 million for the contingent consideration payment based on (1) the Settlement Agreement terms; and (2) a potential consideration to NetNut's only remaining former shareholder, which elected not to join the Settling Shareholders, and on July 1, 2020, sent a letter claiming that the Company had breached certain provisions of the Share and Asset Purchase Agreement. The Company replied to this letter on July 5, 2020, denying all allegations in the light of the Settlement Agreement and inviting that certain NetNut's former shareholder to join the Settlement Agreement. On August 25, 2020, the Company received another letter from the former shareholder, with additional claims and certain demands. The Company has not responded to this letter until the financial statements date.

NOTE 11 - LOSS PER SHARE:

a. Basic

Basic loss per share is calculated by dividing the loss attributable to Company's owners by the weighted average number of issued ordinary shares.

	Six-month period ended June 30		Three-month period ended June 30	
	2020	2019	2020	2019
	U.S. dollars in thousands			
Loss attributable to Company's owners	(1,544)	(2,510)	(2,227)	(226)
The weighted average of the number of issued ordinary shares (in thousands of shares)	199,293	5,607	330,347	6,117
Basic loss per share (dollar)	(0.01)	(0.48)	(0.01)	(0.04)

b. Diluted

The Company adjusts the loss attributable to holders of ordinary shares and the weighted average number of shares in issue, to reflect the effect of all potentially dilutive ordinary shares, as follows:

The Company adds to the weighted average number of shares in issue that was used to calculate the basic loss per share, the weighted average of the number of shares to be issued assuming that all shares that have a potentially dilutive effect would be converted into shares, and adjusts net loss attributable to holders of the Company's ordinary shares to exclude any profits or losses recorded during the year with respect to potentially dilutive shares.

The potential shares, as mentioned above, are only taken into account in cases where their effect is dilutive (reducing the earnings per share or increasing the loss per share).

NOTE 11 - LOSS PER SHARE (continued):

	Six-month period ended June 30		Three-month period ended June 30	
	2020	2019	2020	2019
	U.S. dollars in thousands			
Loss attributable to Company's owners, used in computation of basic loss per share	(1,544)	(2,510)	(2,227)	(226)
Adjustment in respect of the finance income relating to derivative financial instruments	(2,826)	(731)	(334)	(1,098)
	(4,370)	(3,241)	(2,561)	(1,324)
The weighted average of the number of ordinary shares in issue used in computation of basic loss per share (in thousands of shares)	199,293	5,607	330,347	6,117
Adjustment in respect of incremental shares assuming the conversion to derivative financial instruments	79,656	1,115	37,718	4,614
	278,949	6,722	368,065	10,731
Diluted loss per share (dollar)	(0.02)	(0.48)	(0.01)	(0.12)

When calculating the diluted loss per share the Company accounted for the dilutive effect of the derivative financial instruments and the Convertible Debentures for the six- and three-month periods. Other financial instruments were not accounted for when calculating the diluted loss per share since their effect, on a fully diluted basis, is anti-dilutive.

NOTE 12 - ENTITY LEVEL DISCLOSURES AND SEGMENT INFORMATION:

Management has determined the Company's operating segments based on the information reviewed by the Company's chief operating decision maker for the purpose of allocating resources to the segments and assessing their performance. The chief operating decision maker examines the performance of the operating segments based on revenues and adjusted operating profit (loss), which is calculated based on operating profit (loss) before depreciation and amortization, impairment of goodwill and intangible assets, contingent consideration measurement and the effects of share-based payment transactions.

As of June 30, 2020, and following NetNut acquisition at June 12, 2019, the Company has two operating segments: Cyber Security and Proxy Services (the latter represents the operations of NetNut).

	Cyber Security	Proxy Services	Total
	Six-month period ended June 30, 2020		
	U.S. dollar in thousands		
Revenues	411	1,754	2,165
Adjusted operating loss	(2,305)	6	(2,299)
Share-based payments			(41)
Contingent consideration measurement			(430)
Impairment of goodwill and intangible assets			(800)
Depreciation and amortization			(685)
Operating loss			(4,255)
Financial income, net			2,589
Taxes on income			122
Net loss for the period			(1,544)

NOTE 12 - ENTITY LEVEL DISCLOSURES AND SEGMENT INFORMATION (continued):

	Cyber Security	Proxy Services	Total
	Six-month period ended June 30, 2019		
	U.S. dollar in thousands		
Revenues	702	119	821
Adjusted operating loss	(3,216)	(56)	(3,272)
Share-based payments			(684)
Depreciation and amortization			(277)
Operating loss			(4,233)
Financial income, net			1,720
Taxes on income			3
Net loss for the period			(2,510)

	Cyber Security	Proxy Services	Total
	Three-month period ended June 30, 2020		
	U.S. dollar in thousands		
Revenues	140	937	1,077
Adjusted operating loss	(1,383)	2	(1,381)
Share-based payments			(12)
Depreciation and amortization			(336)
Operating loss			(1,729)
Financial expenses, net			(559)
Taxes on income			61
Net loss for the period			(2,227)

	Cyber Security	Proxy Services	Total
	Three-month period ended June 30, 2019		
	U.S. dollar in thousands		
Revenues	275	119	394
Adjusted operating loss	(1,451)	(56)	(1,507)
Share-based payments			(430)
Depreciation and amortization			(162)
Operating loss			(2,099)
Financial income, net			1,870
Taxes on income			3
Net loss for the period			(226)

NOTE 13 - SUBSEQUENT EVENTS:

a. Registered Direct Offering

On July 22, 2020, the Company closed a registered direct equity offering. The offering included the issuance of 3,075,000 ADSs at a purchase price of $1.40 per ADS, and 1,145,000 Pre-Funded Warrants. The Pre-Funded Warrants were sold at a price of $1.40 each, including the Pre-Funded Warrant exercise price of $0.001 per full ADS. The Pre-Funded Warrants will be exercisable at any time after the date of issuance upon payment of the exercise price.

The offering resulted in gross proceeds to the Company of approximately $5.9 million.

During the period from the offering date until August 27, 2020, 435,000 Pre-Funded Warrants were exercised into 435,000 ADS's in exchange for an aggregate exercise amount of $435.

b. Warrants exercise

During the period from July 1, 2020 until August 27, 2020, 739,000 Warrants were exercised into 739,000 ADSs in exchange for an aggregate exercise amount of approximately $887 thousand.

c. Options grant

On August 2, 2020, the Company's board of directors approved an aggregate grant of 51,290,000 options to purchase 51,290,000 ordinary shares, to officers, employees and consultants. The exercise prices of the options granted range from NIS 0 to NIS 0.151 per share, their vesting schedules range between immediate vesting to 4 years, and they will expire 1.5-10 years from the grant date.

Also, on August 30, 2020, the board of directors approved a grant of 300,000 options to purchase 300,000 ordinary shares to a consultant. The options were granted at an exercise price of NIS 0.13 per share, their vesting schedule is over 3 years, and they will expire 10 years from the grant date.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As of June 30, 2020, and for the Six Months then Ended

Cautionary Statement Regarding Forward-Looking Statements

Certain information included herein may be deemed to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and other securities laws. Forward-looking statements are often characterized by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "estimate," "continue," "believe," "should," "intend," "project" or other similar words, but are not the only way these statements are identified. These forward-looking statements may include, but are not limited to, statements relating to our objectives, plans and strategies, expansion of marketing and channel activities, converting prospects to customers, statements that contain projections of expected market size, results of operations or of financial condition, expected capital needs and expenses, statements relating to the research, development, completion and use of our products, and all statements (other than statements of historical facts) that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. We have based these forward-looking statements on assumptions and assessments made by our management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate.

Important factors that could cause actual results, developments and business decisions to differ materially from those anticipated in these forward-looking statements include, among other things:

- the overall global economic environment, including the potential influence of Covid-19 on the market which the Company operates in;
- the impact of competition and new technologies;
- general market, political and economic conditions in the countries in which we operate;
- projected capital expenditures and liquidity;
- changes in our strategy; and
- litigation.

The foregoing list is intended to identify only certain of the principal factors that could cause actual results to differ. For a more detailed description of the risks and uncertainties affecting our company, reference is made to our Annual Report on Form 20-F for the year ended December 31, 2019, or our Annual Report, which is on file with the Securities and Exchange Commission, or the SEC, and the other risk factors discussed from time to time by our company in reports filed or furnished to the SEC.

Except as otherwise required by law, we undertake no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

General

Introduction

Unless indicated otherwise by the context, all references in this report to *"Safe-T",* the *"Company", "we", "us" or "our"* are to Safe-T Group Ltd. and its subsidiaries. All references in this report to "*dollars" or "$"* means United States dollars.

You should read the following discussion and analysis in conjunction with our unaudited consolidated financial statements for the six months ended June 30, 2020 and notes thereto, and together with our audited consolidated financial statements for the year ended December 31, 2019 and notes thereto filed with the SEC as part of our Annual Report.

Covid-19

The spread of COVID-19 has forced us to modify its business practices (including employee travel, employee work locations and cancellation of physical participation in meetings, events and conferences). Further actions may be taken as required. In responding to the crisis, we leveraged our IT capabilities to implement remote connections with employees, customers and vendors to deliver a functional and productive work-from-home strategy.

Due to an almost complete freeze in the travel sector, we experienced a reduction of approximately 10% in revenue from the IP proxy business. At the same time, this business just recently gained new entry into the cyber-security market, which the we believes may compensate for the revenue reduction mentioned above.

Also, due to the COVID-19 lack of visibility implications, the decision making of customers in the cyber security business had slowed down, such that it may affect the pace of our growth plans for the remainder of 2020. We offered our Secure Application Access solution free-of-charge to organizations that were affected by the pandemic for a period of three months, and it was successfully deployed by several companies in Israel and the United States. Overall, we are closely monitoring all parts of the business to ensure that we can respond quickly to fluctuations in demand.

Our business, despite the resilience it has shown in the first half of the year, might not be immune to the impact that global lockdowns resulting from the pandemic are having on a number of the markets that we operate in or serve. We may experience a slowdown in the pace of new business in the second half of the year, which we plan to compensate by closely monitoring all parts of the business to make sure we can respond quickly to fluctuations in demand, as well as by executing our M&A strategy in the coming months.

Overview

We develop and market Zero-Trust Access solutions that mitigate attacks on enterprises' business-critical services and sensitive data, while ensuring uninterrupted business continuity. Safe-T's cloud and on-premises solutions ensure that the organization's access practices, whether into the organization or from the organization out to the internet, are secured according to the philosophy of Zero-Trust, "validate first, access later." This means that no one is trusted by default from inside or outside the network, and verification is required from everyone trying to gain access to resources on the network or in the cloud.

We generate revenue from sales of our Zero+ secure access family of products and solutions and our Secure Data Exchange (SDE) solutions for data exchange. Our sales model consists of perpetual or subscribed licenses of our products, and related services. Also, we generate Software-as-a-Service, or SaaS, revenues from our secure internet access solution and from product maintenance and customer support.

Our product license revenue consists primarily of revenue generated from the sale of our main products. License revenue can be generated through the sale of either perpetual licenses or subscribed licenses. In a perpetual license sale, the customer purchases our product, usually accompanied with one to three years of maintenance and support services. Thereafter, the customer is not obligated to continue the engagement with us, but in order to maintain maintenance and support services, including receiving updates and upgrades for our products, which are essential in order to monitor and successfully block any potential threats, they will usually purchase additional and continuous periods of maintenance and support services.

A subscribed license sale is generated when the customer elects to use our product as a service, usually for periods ranging from one to three years. This service also includes maintenance and support throughout the subscribed period, which after its expiration the customer is not entitled to use the products unless the subscription is renewed for additional periods. The price of a one-year subscription is lower than the same license sold as a perpetual license, but the cash flow renewals in later years is higher than the renewal of maintenance and support services in the perpetual licenses' method.

Maintenance and support service renewals from the Zero+ and the SDE products are usually 15%-25% of the perpetual license price, depending mainly on the supporting hours and response times, and are important, as they represent, like subscription renewals, steady and visible cash flow growth.

SaaS revenues are generated when customers are subscribing to our NetNut IP proxy solution, from NetNut's website, and paying for the bandwidth package they choose. The packages are usually for the earlier of one month or maximum bandwidth usage. Our revenue is recognized on a straight-line basis over the package period.

We also generate revenues from other services, such as implementation services or product development services requested by our customers to enhance the security of specific processes or applications. The services to the customer can be provided by either specific product developments or support/implementation services, which are provided at the customer's premises.

Critical Accounting Policies

The preparation of financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, obligations, income and expenses during the reporting periods. A comprehensive discussion of our critical accounting policies is included in "Item 5. Operating and Financial Review and Prospects - Management's Discussion and Analysis of Financial Condition and Results of Operations" section in our Annual Report.

Results of Operations

The following discussion of our unaudited results of operations for the six month periods ended June 30, 2020 and 2019, included in the following table, which presents selected financial information data, is based upon our unaudited statements of profit or loss contained in our financial statements for those periods, and the related notes.

	For the Six-Month Period Ended June 30,	
U.S. dollars in thousands	**2020**	**2019**
Consolidated Statements of Profit or Loss		
Revenues	2,165	821
Cost of revenues	1,121	416
Gross profit	1,044	405
Research and development expenses	793	1,373
Selling and marketing expenses	1,781	1,637
General and administrative expenses	1,495	1,628
Impairment of goodwill	800	-
Contingent consideration measurement	430	-
Operating loss	(4,255)	(4,233)
Financial income, net	2,589	1,720
Loss before taxes on income	(1,666)	(2,513)
Tax benefits	122	3
Net loss for the period	(1,544)	(2,510)

Comparison of the six months ended June 30, 2020 to the six months ended June 30, 2019

Revenues

The following table summarizes our revenues through types and regions for the periods presented. The period-to-period comparison of results is not necessarily indicative of results for future periods.

Revenues through types:

U.S. dollars in thousands	For the Six-Month Period Ended June 30, 2020	2019
Revenues from licenses	119	328
Revenues from provision of maintenance & support services	284	360
Revenues from proxy services	1,754	119
Revenues from provision of other services revenues	8	14
Total	2,165	821

Revenues through regions:

U.S. dollars in thousands	For the Six-Month Period Ended June 30, 2020	2019
Revenues from Israel	394	535
Revenues from North America	897	191
Revenues from Europe	365	81
Revenues from Asia-Pacific	205	5
Revenues from Rest of World	304	9
Total	2,165	821

Total revenues for the six months ended June 30, 2020 amounted to $2,165,000, compared to of $821,000 generated in the six months ended June 30, 2019. The increase in revenues compared to the first half of 2019 is due to the consolidation of revenues generated by Safe-T's wholly owned subsidiary, NetNut Ltd., or NetNut, a provider of IP Proxy Network services throughout the entire period compared to the consolidation in 2019, which occurred only from NetNut's acquisition on June 12, 2019 until the period end on June 30, 3019. The increase, in the amount of $1,635,000, was partially offset mainly by a reduction of $196,000 in the sales of the SDE product, as part of the Company's strategic plan to focus on the Zero Trust solutions.

Cost of Revenues

The following table summarizes our cost of revenues for the periods presented, as well as presenting the gross profit as a percentage of total revenues. The period-to-period comparison of results is not necessarily indicative of results for future periods.

U.S. dollars in thousands	For the Six-Month Period Ended June 30, 2020	2019
Payroll, related expenses and share-based payment	107	144
Cost of networks, servers and internet services providers	452	33
Depreciation, amortization and impairment of intangible assets	540	198
Other	22	41
Total cost of revenues	1,121	416
Gross profit	1,044	405
Gross profit %	48%	49%

Cost of revenues for the six months ended June 30, 2020 totaled to $1,121,000 compared to cost of revenues of $416,000 for the equivalent period in 2019. The increase is mainly due to the consolidation of NetNut's cost of revenues, primarily $419,000 in cost of networks, servers and internet service providers, as well as an increase in amortization of NetNut's intangible assets in an amount of $463,000, partially offset by a decrease of $88,000 in costs resulting from the streamlining of support and post sales teams.

Research and Development Expenses, Net

The following table summarizes our research and development, or R&D, costs for the periods presented. The period-to-period comparison of results is not necessarily indicative of results for future periods.

U.S. dollars in thousands	For the Six-Month Period Ended June 30, 2020	2019
Payroll, related expenses and share-based payment	375	861
Subcontractors	314	334
Other	104	178
Total research and development expenses	793	1,373

R&D expenses for the six months ended June 30, 2020 were $793,000, compared to $1,373,000 for the six months ended June 30, 2019. The decrease is due to a reduction in the SDE solution development costs in a total amount of $810,000, partially offset by the consolidation of NetNut's development costs in the amount of $230,000.

Sales and Marketing Expenses

The following table summarizes our sales and marketing, or S&M, costs for the periods presented. The period-to-period comparison of results is not necessarily indicative of results for future periods.

U.S. dollars in thousands	For the Six-Month Period Ended June 30, 2020	2019
Payroll, related expenses and share-based payment	1,038	1,049
Selling commissions	283	-
Professional fees	116	219
Marketing	200	224
Other	144	145
Total selling and marketing expenses	1,781	1,637

S&M expenses for the six months ended June 30, 2020 totaled to $1,781,000 compared to an amount of $1,637,000 for the six months ended June 30, 2019. The increase is primarily attributed to consolidation of NetNut's sales and marketing costs in an amount of $706,000, partially offset by efficiency measures and cost reductions in overall sales, professional and marketing costs of the cyber business, in an amount of $562,000.

General and Administrative Expenses

The following table summarizes our general and administrative, or G&A, costs for the periods presented. The period-to-period comparison of results is not necessarily indicative of results for future periods.

	For the Six-Month Period Ended June 30,	
U.S. dollars in thousands	**2020**	**2019**
Payroll, related expenses and share-based payment	569	848
Professional fees	743	657
Office expenses & other	183	123
Total general and administration expenses	1,495	1,628

G&A expenses for the six-months ended June 30, 2020 totaled to $1,495,000, compared to $1,628,000 in the equivalent period in 2019. The decrease is due to a $508,000 reduction in share-based payments, partially offset mainly by an increase of $86,000 in professional fees costs as well as an increase of $217,000 due to the consolidation of NetNut's general and administrative costs.

Impairment of Goodwill

We recorded in the six-month ended June 30 ,2020 an impairment loss of $800,000 related to our proxy services segment due to a decrease in forecasted operating results, among others, because of COVID-19 implications.

Contingent Consideration

We recorded in the six-month ended June 30 ,2020 expenses of $430,000 resulting from the additional compensation of the contingent consideration to NetNut's former shareholders, compared to the amount that was evaluated on December 31, 2019.

Operating Loss

As a result of the foregoing, our operating loss for the six months ended June 30, 2020 was $4,255,000, compared to an operating loss of $4,233,000 in the equivalent period in 2019.

Financial Income, Net

We had net financial income of $2,589,000 for the for the six months ended June 30, 2020, compared to net financial income of $1,720,000 for the six months ended June 30, 2019. The increase is primarily due to a reduction in the fair value of convertible debenture and derivative financial instruments liabilities, net of day 1 loss amortization recorded in the six months ended June 30, 2020 compared to the equivalent period of 2019.

Net Loss for the Period

As a result of the foregoing, our net loss for the six months ended June 30, 2020 was $1,544,000, compared to a loss of $2,510,000 during the equivalent period in 2019.

Liquidity and Capital Resources

Overview

As of August 27, 2020, our cash and cash equivalents of approximately $15.0 million were held for working capital, capital expenditures, investment in technology and business acquisition purposes. We believe that our current cash and cash equivalents will be sufficient to meet our anticipated cash needs for at least one year. Our future capital requirements will depend on many factors, including our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced product and service offerings, the continuing market acceptance of our products and the pursuing for strategic opportunities, including, but not limited to, strategic acquisitions. These factors and the risk inherent in the Company's operations raise a substantial doubt as to the Company's ability to continue as a going concern.

U.S. dollars in thousands	For the Six-Month Period Ended June 30, 2020	2019
Net cash used in operating activities	(3,161)	(3,010)
Net cash provided by (used in) investing activities	14	(5,758)
Net cash provided by financing activities	8,337	5,954
Net increase (decrease) in cash and cash equivalents	5,190	(2,814)

Net Cash Used in Operating Activities

During the six months ended June 30, 2020, net cash used in operating activities was $3,161,000, primarily attributed to operational costs which exceeded cash flows from customers' payments. The increase, compared to $3,010,000 used in operating activities during the six months ended June 30, 2019, is primarily attributed to a reduction in the Company's cyber business staff as well as professional services, offset by the consolidation of NetNut's operating activities.

Net Cash Used in Investing Activities

During the year six months ended June 30, 2020, net cash provided by investing activities was $14,000 due to investment in a cash deposit, compared to net cash used in investing activities of $5,758,000 during the six months ended June 30, 2019. The decrease is attributed almost solely to the acquisition of NetNut, which took place in the second quarter of 2019.

Net Cash Provided by Financing Activities

During the six months ended June 30, 2020, net cash provided by financing activities was $8,337,000, primarily attributed to funds from a public offering closed on April 23, 2020 with gross proceeds of approximately $8,392,000 and a registered direct offering closed on April 2, 2020 with gross proceeds of $720,000, as well as from warrants exercises.

During the six months ended June 30, 2019, net cash provided by financing activities was $5,954,000, primarily attributed to a convertible loan we received in order to finance NetNut's acquisition.

Net Increase in Cash and Cash Equivalents

As a result of the foregoing, our cash and cash equivalents increased in the amount of $5,190,000 during the six months ended June 30, 2020, compared to a decrease in the amount of $2,814,000 during the six months ended June 30, 2019.

Current Outlook

We have financed our operations to date primarily through proceeds from sales of our equity securities. We have incurred losses and generated negative cash flows from operations since our subsidiary, Safe T Data A.R. Ltd.'s inception in February 2013.

As of August 27, 2020, our cash and cash equivalents, including short-term bank deposits, were approximately $15.0 million. We expect that our current resources will be sufficient to meet our anticipated cash needs for at least one year. However, our operating plans may change as a result of many factors that may currently be unknown to us, which may impact our funding planes. Our future capital requirements will depend on many factors, including:

- the progress and costs of our research and development activities;
- the potential costs of contracting with third parties to provide marketing and distribution services for us or for building such capacities internally;
- the magnitude of our general and administrative expenses; and

Until we can generate significant recurring revenues, we expect to satisfy our future cash needs through equity financings. There are no assurances however, that we will be successful in obtaining the level of financing needed for our operations. If we are unsuccessful in commercializing our products and raising capital, we may need to reduce activities, curtail or cease operations.