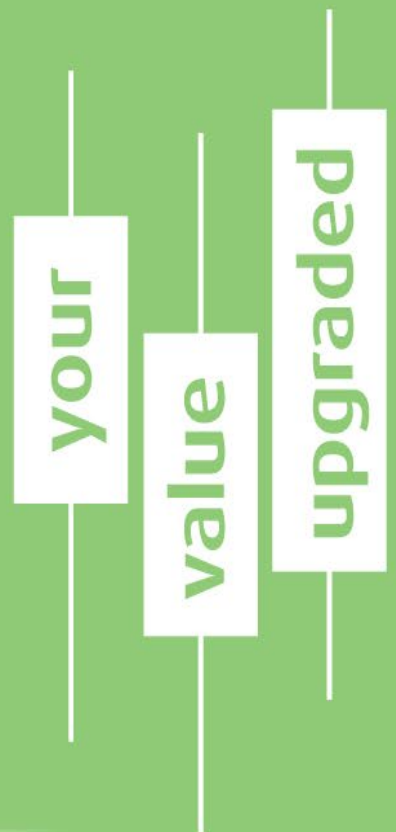


bittnet

group

BNET Report

Q1 2022



3rd Quarter Report according to	ANNEX 13 OF THE ASF REGULATION NO. 5/2018
For the financial year	01.01.2022 - 31.03.2022
Report date	13 May 2022
Name of the company	BITTNET SYSTEMS S.A.
Registered office	St. Șoimuș no. 23, bl 2, ap. 24, Sector 4, Bucharest
Mail address/Place of business	Impact Hub Universitate, St. Tudor Arghezi no. 8- 10, Bucharest
Telephone/fax	021.527.16.00 / 021.527.16.98
Unique registration code with the Trade Register Office	21181848
Trade Register registration number	J40/3752/2007
The regulated market on which the issued securities are traded	The Regulated Market administered by Bucharest Stock Exchange, Standard Category
Paid-in and subscribed share capital	52,848,059.50* Lei
The main characteristics of securities issued by the company	480,436,904 shares with a nominal value of 0.10 RON per share
Trading Symbol	BNET - shares, BNET23, BNET23A, BNET23C – bonds
Shares ISIN code	ROBNETACNOR1
Contact	investors@bittnet.ro

*at the date of the publication of this Report, the Company has a subscribed and paid share capital of RON 52,848,059.50 that it is in progress of registration with the Trade Register, according to the EGMS Decision no. 2 from 20.04.2022.



Contents

Letter from the CEO	4
Key events in Q1 2022.....	8
At Group level	8
Technology Division.....	9
A. Services for complex IT infrastructures.....	9
B. Business Applications, Software and Artificial Intelligence.....	11
Education Division	13
General description of the financial position and performance of the issuer and of its subsidiaries for the relevant time period	16
Financial position	16
Performance of the issuer and of its subsidiaries during the period.....	17
An annual outlook on the financial results.....	20
Indicators according to Annex 13 ASF Reg. 5/2018	21
Risk factors.....	22
Contact relationship with investors	28
Annex 1 – ‘Alternative Performance Measurements’	29
Financial Statements interim (unaudited).....	30



Letter from the CEO

In the first quarter of 2022, our Group recorded consolidated revenues amounting to 33.13 million Lei, an increase of over 64% compared to the same period of the previous year, as a result of a combination of factors: on the one hand we have started to deliver from the significant "backlog" recorded at the end of 2021, and on the other hand, the operational changes implemented last 18 months, primarily in the Education Division, generated the largest number of new customers brought throughout a year (35 companies). As in the past, the beginning of 2022 reconfirms the historical behavior of education customers returning each year and allocating increasing budgets - justifying our focus on attracting new business.

A similar evolution registered the gross margin, which reaches the value of 6.5 million Lei, with 2.5 million more than in 2021. The operational result improved by 550 thousand Lei, for the first time a value close to zero at Q1: minus 25 thousand Lei. The correction in the stock market for our holdings (CODE, AST) in the analyzed period generates a financial loss of 3.1 million Lei (versus a financial profit of 250 thousand Lei in Q1 2021), so the gross result of the period is a loss of 3.5 million Lei.

From an annualized perspective (TTM, "last 12 months"), the evolution of the results is a similar one, which reconfirms our group's ability to increase revenues and profitability: consolidated revenues amount to 125 million Lei, increasing by almost 16% compared to the previous period and the gross margin to 26.9 million Lei, increasing by 32% during this time. The operating profit had a positive evolution of 90% reaching a value of 7.9 million Lei.

During the first quarter, the company celebrated 15 years of existence and, at the same time, of accelerated development, being the first IT services company listed on the Bucharest Stock Exchange. In the 7 years since its listing, Bittnet has recorded an average annualized growth rate (CAGR) of 45%, in terms of income, one of 57% in terms of assets, 80% in terms of equity, one of 100%, in terms of profit, and an average annual ROE of over 40%.

The most important element during this period is, in our opinion, the fact that we have finalized the negotiations for the investments in [TopTech](#) and [2Net Computer](#), which will join Dendrio in the Cloud & Infrastructure segment, after the transactions obtain the authorization from the Competition Council. Thus, Dendrio becomes an integrator with an earnings power of over 200 million Lei per year and which has already demonstrated that it can sustain, in the medium term, a growth rate of over 20% per year.

This combination of factors strengthens our confidence in the proposed revenue target of 500 million Lei by the end of 2024.



Context and perspectives

If 2021 started under the sign of economic recovery, both locally and internationally, in 2022, the military conflict in Ukraine marked a new moment of crisis, visible even in the capital markets. This course of the events has relegated the Covid pandemic into the background and has forced business leaders to rethink their business plans once again by paying an increased attention to the cybersecurity area.

If, in the last year, the conversations with our clients have evolved from the idea of “survival” to the idea of “construction in the new reality”, the interest for digital reinvention occupying, practically, most of the time, in recent weeks, we have noticed a significant concern for increasing the level of security of digital assets.

Clients increasingly understand that investments in technology is an opportunity to reinvent themselves, and they are rethinking their plans and budgets for this, but also adding a larger component to the cybersecurity area. As a result of the evolution of the military conflict in Ukraine, we see more and more concerns and needs in the cyber area and private companies (e.g. Rompetrol) but also public ones (government websites and MND - Ministry of National Defence) are becoming targets of attackers¹.

At Group level, we can say that we do not, currently, feel the new geo-political crisis caused by the war in Ukraine, the demand for IT services and solutions being consistent at the level of each company. However, we operate in the post-pandemic context that marked the last 2 years, respectively, extended delivery times for hardware components, which, in turn, lead to a delay in the delivery of infrastructure services. In the results of the 1st quarter, a significant contribution is made by the “backlog” type projects, won and signed in 2021, but whose delivery deadlines have led to their completion in the first part of 2022.

Technology Division

For the Technology Division, the first quarter of 2022 has started according to the communicated expectations and in the annual report for 2021: a sustained demand for all types of services offered - implementation of complex IT infrastructures, cybersecurity, managed type services, applications for the business environment and software and Artificial Intelligence applications.

We can say that we do not, currently, feel the new geo-political crisis caused by the war in Ukraine, the demand for IT services and solutions being consistent. However, we operate in the post-pandemic context that marked the previous year, as well, respectively, extended delivery times for hardware components, which, in turn, lead to a delay in the delivery of infrastructure services. In other words, we see a maintenance of an increased volume of signed contracts, but whose delivery and invoicing can be significantly more consistent than in the previous period. We have started to implement strategies by which we want to mitigate this effect - strategies described in the chapter on the activity of the Technology Division that we will mention below.

Continuing the trend described during 2021, during the analysed period, the share of services within the division's revenues registered a significant increase due to the customers' need to improve the IT infrastructure in the context of continued delays in the chain of supply of equipment, due to the semiconductor crisis - in Q1 2022, services registered the value of 9.36 million Lei, increasing by over 130% compared to Q1 2021.

In this context, the technology division has registered a solid result, in line with the budgeted expectations, achieving revenues of 28.5 million Lei, an increase by almost 60% compared to Q1 2021 which led to an increase of 133% of the operating profit: 665 thousand Lei.

¹ <https://www.zf.ro/business-hi-tech/atac-masiv-orchestrat-grup-hackeri-rusi-blocat-site-ul-guvernului-20784346>



Education Division

At the end of the first quarter of 2022, the Education Division achieved around 30% of the targets set in this year's budget, which is the best start of year so far and this makes us optimistic about achieving our assumed annual goals. So far, no significant implications generated by the war in Ukraine or the growing financial imbalances in the economy have been identified. At the same time, the number of foreign companies that open IT service centres in Ro continues to grow, companies that aim to hire and invest in the development of the team's tech and human skills.

At the beginning of the year we had our first national conference - FORESIGHT 2022 - in which we discussed and clarified the strategy for this year, we learned and listened to our customers and technology partners. As a result, we have developed the IT Evolve Toolkit, which aims to provide relevant and up-to-date content to Buyer Personas that our teams target in order to generate leads. This way, we make sure that we increase our prospect base and that, in parallel, we build brand awareness.

In the first quarter of 2022, the Marketing and Product management team continued to optimize the lead generation model and brand awareness through content development. Through the continuous activity of keeping the content on the website up to date, through continuous SEO and Pay-Per-Click actions, through product campaigns dedicated to the vendors in the portfolio, the team generated 127 MQL (Marketing Qualified Leads) of which 68 (54%) have been qualified and transferred to the Business Development team.

We delivered a number of 130 classes for a number of 1114 students, which corresponds to an average of approximately 9 students/ class. There were 26 Bittnet collaborating trainers involved in the delivery of these classes, who obtained an average of the score given by the students for their performance of 4.62 out of 5.

In parallel, we continued to expand our portfolio of products and services, adding a new vendor to the portfolio - EC Council.

From a financial perspective, this means sales of 4,57 million Lei, an increase by 120% vs Q1 2021. The gross margin increased by 64% to 1,58 million Lei, and the operating profit reached a characteristic loss for first quarter of 690 thousand Lei, an improvement with 21% vs Q1 2021.

Development by M&A

At the time of our transition to the Primary Market, in June 2020, we promised shareholders that the Bittnet Group would run 100 million EUR worth of business by the end of 2024, and these ambitions were also based on M&A investments, not just organic growth. Hence the increased concern in recent years for this activity. We have developed a practice in the M&A area for both the transaction stage but more importantly we have improved the post-transaction integration part.

The process of expansion through investments and acquisitions continued in the first quarter of 2022, in which, on the one hand, we signed two new "big" investment contracts - [TopTech](#) and [2Net](#), companies that will join Dendrio in the "Cloud & Infrastructure" business segment, taking the size of the integrator resulting from these transactions to a cumulative turnover of almost 200 million for 2022. Currently, these transactions are subject to the approval of the Competition Council. Our estimate is that these transactions will be completed during June and the consolidated financial results will be observed starting with the 3rd quarter.

We are still actively working to find, identify, negotiate and implement both significant transactions in terms of size and "bolt on" acquisitions for each of the business lines.



Capital Market

Our activity on the capital market did not register significant events in Q1 2022, but it will be interesting in the continuation of 2022. Part of this is due to a group of well-meaning shareholders, who are looking at the investment in BNET shares with the right, medium- and long-term ownership mindset, who have suggested the settlement of the next options plan (SOP2020) through an operation of share buy-back from the market. Although these shareholders were unable to coagulate a 5% number of voting rights to include this item on the agenda of the General Meeting of Shareholders, in the spirit of dialogue and openness to shareholders, the board of directors included such a proposal on the agenda, and the shareholders approved it, which means that, in the next period, we will conduct a public buy-back offer, at a price of 0.34 Lei per share.

At the same time, the general meeting approved the organisation of a public offer of preferred shares - a financial instrument that will bring investors a priority dividend that benefits from a 1.75 accelerator compared to the percentage of capital that shares represent. In addition, these shares will benefit from a minimum threshold of the priority dividend - 0.05 Lei per share, i.e. a dividend yield of approximately 7%, taking into account the target price for the issue. Lastly, taking into account that the dividend may increase up to the upper threshold of 0.1 Lei per share, we estimate that the price of these shares may double over time.

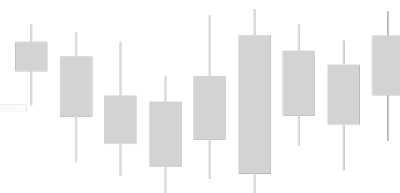
Also in the General Meeting of 20.04.2022, an operation similar to those in previous years was approved, which will allow shareholders at the date of registration (July 21) to choose between receiving a cash distribution of 15 Lei for every 1,000 shares held or to receive 1 free share for every 10 shares held. Shareholders who opt for cash distribution, will not only receive a distribution with a dividend yield of over 4.5%, but, at the same time, will support the company, so that it will be able to fulfil its future share payment obligations in a profitable way for all shareholders.

2022 started well, and we focus on making it continue in the same key.

As always, we are at your disposal for questions, at the address investors@bittnet.ro.

Mihai Logofatu,

Founder & CEO Bittnet Group



Key events in Q1 2022

At Group level

Extension and supplementation of a bank loan product - Eliau | March 2022

At the beginning of February, the addendum for the extension and supplementation of the loan was signed - of the revolving overdraft type - contracted by Eliau Solutions SRL from Unicredit Bank. The agreement was extended for a period of 12 months and supplemented from 450,000 Lei to 800,000 Lei.

Signing a significant contract - Dendrio | March 2022

On 03.03.2022, Bittnet informed the capital market about the signing of a significant contract by Dendrio Solutions SRL with a client from the public sector. The object of the contract is to provide IT&C equipment and configuration services, for a period of 24 months. The approximate amount of the contract is \$ 4.65 million

Signing the M&A agreement with TOPTECH | March 2022

At the end of March, Bittnet informed investors about the signing of the procurement contract for the full takeover of TOPTECH SRL, an integrator of IT&C products and services with relevant businesses in the Transylvania area. The transaction price is 12 million Lei and will be partially paid in cash (7 million Lei), and the rest settled in BNET shares. TopTech's operations will be integrated into Dendrio Solutions SRL, part of the Bittnet Group's Technology Division. The transaction is subject to the approval of the Competition Council.

Convening the OGMS & EGMS | March 2022

In addition to the traditional items on the agenda for the 'balance' GMS, such as the approval of the individual and consolidated financial statements for 2021, the Annual Report or the discharge, for 2022, Bittnet's management proposed to shareholders a market operation similar to that of previous years, in which they will subsequently have a choice between the allocation of free shares vs. a cash "dividend" with a return of approx. 4.8%, as well as a public offer for the issuance of preferential shares (with a minimum yield of 7.5% - non-voting shares but priority dividend bearers). The issuer intends to conduct this operation during May-June 2022. Coordinates of the issuance of preferential shares here.

Also, in this GMS, two plans for the buy-back of joint BNET shares were approved: a long-term one and a punctual one for the period May-July 2022. The second was a proposal from some shareholders interested in the good running of the company for the long run as well, but who nevertheless failed to raise 5% of the voting rights to ensure the inclusion of the item on the agenda for debate and voting. In the spirit of openness and continuous dialogue with all shareholders of the Company, the management of Bittnet has chosen to include the respective item on the agenda, leaving to the choice of shareholders whether or not to approve the buy-back operation. The Board of Directors introduced this point, even if the option to buy back shares from the Market at a price of approximately 0.34 Lei/share does not necessarily represent the Board's option, at this time. Therefore, the members of the Board of Directors abstained from voting on this point. The explanation of the Council can be found in substantiation note for point 3.

All items on the OGMS and EGMS agendas were approved by the shareholders, except for point 8 of the EGMS, where the quorum required for this point to be put to the vote, was not met.



Signing the M&A agreement with 2net Computers | April 2022

At the beginning of April, the Issuer informed investors regarding the signing of the investment agreement for the full acquisition of 2net Computer SRL, an integrator of IT&C products and services, with a focus on the Brasov region and central Transylvania. 2net Computer operations will be integrated in Dendrio Solutions SRL, thus consolidating the "Cloud & Infrastructure" business segment in the Transylvania region. As in the case of TopTech, the transaction is subject to the approval of the Competition Council.

Technology Division

A. Services for complex IT infrastructures

Dendrio

For Dendrio Solutions - the Bittnet Group company that offers integrated IT solutions and professional services - the first quarter of 2022 brought a 39% increase of the contracted revenue compared to Q1 2021 a result that gives us confidence that we can achieve the ambitious goals proposed for this year! Due to the current context (deliveries of hardware components with significant delays compared to the normal project cycle) we will notice a certain delay of the generated margin (particularly on large, complex projects) - this delay will be recovered by the end of the year.

In order to ensure the sustainable growth of the company in the medium and long term, there are certain elements that need special attention:

Teams

A successful company is made up of passionate and well-educated people! A balanced team development at the level of the company is a priority for us:

- In this sense, we started an active recruitment program - Dendrio currently having over 25 new positions open in the sales , presales and technical departments.
- During this quarter, we managed to complete the Demand Generation and Customer Success teams - two teams that will accelerate the company's transition to digital channels and projects with a high degree of recurrence.
- As a novelty, we opened a junior program, looking to attract at least 8 new colleagues to develop professionally with our team - and in Q1 2022 we already have two new colleagues coming through this program.
- The CTRL+N program has the potential to add new talents to the Dendrio team, especially since these people are not actively sought after by competing companies.
- With the help of colleagues from Equatorial Gaming, a complex program dedicated to the professional development of the entire team will be launched within Bittnet Group, including a Business Development Academy, BITONE Academy - a program dedicated to management teams, but also a program dedicated to performance management - to mention just part of the structure of this program.

Processes

We continue to focus on implementing and refining the mechanisms dedicated to market segments - large companies (Large Accounts) and small and medium companies (Corporate Accounts), respectively.



- For the large companies (Large Accounts) segment we introduced the concept of specialization of the sales team according to industrial verticals (production, transport, energy, public sector, education and health);
- In the small and medium companies segment, we have significantly changed the way the whole team works, the principle being that of alignment with the way our customers go through the buying cycle (Buyer Journey). In this sense, the decisions at the level of marketing/sales process are taken within a management team composed of marketing, demand generation and business development.
- The Business Architects team has been expanded to add additional expertise related to the Modern Workplace concepts and the construction of value-added services over Microsoft solutions;
- Moreover, as of this quarter, the consolidation of the pre-sales department has commenced - this being a central point in the promotion of the latest technologies, together with the technical team;
- The Project Management Office (PMO) succeeds in managing projects with a high degree of complexity (and risk), constituting a guarantee of the quality of delivery even in these conditions of malfunctioning of the global supply chain;
- The customer success team has been expanded to 7 people, having an extremely important role in ensuring the development of existing customers - primarily by achieving the business objectives that Dendrio customers have set for themselves at the time of launching the technological projects.

Business model

- **Increasing the volume of recurring projects.** We believe that technology can constitute an important source of increasing the productivity of companies and often times it can even be the main source of competitive advantage. Recurring projects (designed for medium term of 3 years) can create the necessary framework for companies to implement innovative solutions and that is why this quarter we laid the foundations for the growth model of this type of project.
- **Increasing synergy both within the technology division and across the entire Bittnet group** - This quarter we added new projects designed and implemented by Dendrio together with partners in the group, an example being the Chromosome Dynamics project (CHRD stock symbol) through which Nenos (part of Bittnet) has developed an innovative solution for diagnosing plant diseases (agribusiness) on the cloud platform offered by Dendrio. Similarly, managed services projects have been developed jointly with ITPrepared or the operationalization of port process with Elian Solutions. Also, a cyber security program for the national defence sector was designed this quarter together with GRX and is to be launched on the market in the second quarter of 2022.

ITPrepared (rebranded: Optimizor)

IT infrastructures management/operation services constitute an extremely large market in developed countries (particularly in the United States, but not only) , however we can say that this market is still in its incipient phase in Romania. IT Prepared operates in both markets (US and Romania) which allows us to understand / learn the principles of operating in an advanced market and to offer this knowledge to local companies!

From a business development perspective, in this first quarter of 2022:

- we took over in 24/7 operational support the largest data centre opened in Romania - a project that involves covering an extremely wide range of technologies;
- we took over in 16/5 operational support a new company from the American (US) market, operating in the insurance field;



- last but not least, we took over in support a US investment bank, Optimizer ensuring the automation of the security services on the Microsoft platform!
- Furthermore, as a result of expanding the services delivered, this quarter, we also expanded the Technical Account Managers team by 50%.

Global Resolution eXperts (GRX)

The field of cyber security is probably one of the most dynamic components of the IT sector and the end of 2021 and the beginning of 2022 brought a significant acceleration.

- As expected, external (geo-political) factors have led to an increase in both cyber risks - critical infrastructure being directly targeted - but also to an increase of the awareness of these risks among companies;
- Additionally, besides this complex geo-political context, a number of regulations at European level have begun to be implemented, generating a sustained need for the services provided by GRX. We mention here the remote identity verification (eIDAS - <https://digital-strategy.ec.europa.eu/en/policies/eidas-regulation>), the NIS directive (<https://dnsc.ro/pagini/ansrsi>) but also the regulatory rules for risk management and governance of insurance information systems: ([https://asfromania.ro/ro/c/79/reglement%C4%83ri--integrate-\(acte-normative-comune-aplicabile-celor-trei-pie%C8%9Be-reglementate-de-asf\)](https://asfromania.ro/ro/c/79/reglement%C4%83ri--integrate-(acte-normative-comune-aplicabile-celor-trei-pie%C8%9Be-reglementate-de-asf)));
- In this context, the number of projects implemented to existing clients has significantly increased - the vast majority being companies directly targeted by the aforementioned context;
- Moreover, in this first quarter, we have initiated collaborations with 4 new clients and we have strengthened the services we provide for the existing clients;

Although interest in implementing cybersecurity solutions is high, these services are often based also on hardware systems whose delivery is directly affected by the global situation of the supply chains. We therefore also have a degree of unpredictability for the delivery dates of certain projects.

B. Business Applications, Software and Artificial Intelligence

If we interpret the DESI (<https://digital-strategy.ec.europa.eu/en/policies/countries-digitisation-performance>) study in the light of the development potential that our country has, we could say that there is a huge potential for development, especially in the field of digital technologies. Of course, this is the positive interpretation that we, within the Bittnet group, have with regard to the fact that, in 2021, Romania was on the 27th position out of a number of 27 countries ... However, companies focused on business solutions have significantly grown in this first quarter of 2022, maintaining our belief that we can achieve the proposed targets for 2022 and - to some extent - that we can directly contribute to Romania's rise in DESI ranking.

Eliau

In this first quarter of 2022, Eliau Solutions continued its upward trend recorded throughout 2021. If in the previous year the company managed to increase its turnover by over 35%, this quarter, we obtained a 40% increase compared to quarter 1 of 2021.

This increase was achieved by a rebalancing of the proportion between the services provided and the licenses, the increase in the volume of services being over 100% compared to the same period of last year. This was also possible as a result of a sustained effort to grow the team, an effort that began at the end of last year and continued during this quarter. We mentioned in the annual report for 2021 that we



managed to attract colleagues with a high level of seniority into the Elia team - a fact that helped us rapidly increase the volume of services offered to our clients.

Also, the support services offered this quarter increased by 44% compared to the same period of last year - which contributes to maintaining the company's long-term profitability.

Last but not least, we have started projects with a number of new clients, such as: ASAM SA, Eurosport DHS, SIGMA CVM Romania.

Nenos & Nonlinear

The area of Artificial Intelligence services continues to be a niche area that can bring tremendous benefits to companies that implement such solutions.

- **Innovative solutions:** This quarter we managed to finalise an extremely interesting project, with a potential for global expansion: we delivered for Chromosome Dynamics (stock symbol CHRD, <https://chromosome-dynamics.com>) - a company active in the field of agribusiness - an innovative solution that allows for the identification of plant diseases by simply photographing them. The solution used over 200,000 data obtained from public sources - generating an accuracy of diagnosis of 88% and, as of this quarter, it will move to real data, the accuracy of the diagnosis exceeding 92%. Using the solution developed by Nenos, Chromosome Dynamics customers can significantly reduce their time between the detection of diseases and their treatment - increasing crop productivity. Farmers will also significantly reduce their operating costs (human resources, costs, etc.). We mention that this solution was delivered on cloud platform, in partnership with Dendrio.
- **The team:** at the end of last year, Nenos launched Nenos Academy and, currently, we have 6 people who have gone through this academy and will enter into real projects;
- **We are diversifying the market:** we are in discussions with 10 companies in the US in order to expand in that market, one of the directions being the replication of the concept developed for Chromosome Dynamics.



Education Division

Marketing & Product management

In the first quarter of 2022, the Marketing & Product management team continued to optimize the lead generation model and brand awareness through content development. Through the continuous activity of keeping the content on the website up to date, through continuous SEO and Pay-Per-Click actions, through product campaigns dedicated to the vendors in the portfolio, the team generated 127 MQL (Marketing Qualified Leads) of which 68 (54%) have been qualified and transferred to the Business Development team.

We have developed the IT Evolve Toolkit, which aims to provide relevant and up-to-date content to Buyer Personas that our teams target in order to generate leads. This way, we make sure that we increase our prospect base and that, in parallel, we build brand awareness.

In line with the strategic steps begun earlier, we have launched the first national study for profiling the Learner Persona in the Team Leaders segment in IT organisations, the results of which we will disseminate in communications and meetings with the L&D specialists community, in the next period.

In addition, in the first quarter, from the Product Management area, a new vendor was brought into the portfolio of Bittnet Training - EC-Council - and a campaign was devised - Microsoft Legacy - to increase the adoption of some Microsoft courses that were withdrawn from the market by the vendor. This campaign generated sales of over EUR 80,000. Product Managers organised 2 more Cisco and DevOps Artisan webinars and a webinar for the L&D specialists of the ANIS (Employers Association of Software Industry) member companies, where Bittnet Training is the strategic partner for education.

Demand generation

Following the refinement of the Outbound prospecting process conducted in the quarters of the previous year, based on the metrics and objectives set forth, the Demand Generation team managed, in the first quarter, to qualify to the Business Development team, a total of 104 SQL (Sales Qualified Leads). 68 of them were converted from the 127 MQL (Marketing Qualified Leads) through the Inbound channel, and the remaining 36 SQL deriving from the pro-active activities submitted in the IT&C and Banking and Finance industry through the Outbound channel.

The leads generated will contribute to increasing the number of opportunities managed in the Bittnet Training team and Equatorial team, with the aim to increase the portfolio of active clients.



Business Development

1. Bittnet training team

The first quarter of the year found us with many projects in the pipeline, projects that we managed in the way established and tested during 2021 through the Buyer's Journey process. This process means engaging the client in constructive discussions starting from the needs mentioned initially and continuing with the discovery of other needs. We pay more attention to discovery calls, in which we invite trainers specialized in the technologies used by the client, so that the delivered projects correspond to the discovered needs. With the implementation of the Buyers Journey process we see improvements in terms of the quality of the courses delivered, but also of the feedback among students.

The sales team, currently composed of 8 BDMs (Business Development Managers), has managed a number of 699 opportunities (37% more than in Q1 2021) and generated sales of EUR 1.4 million out of a total of 43 of customers (an increase by 17% compared to 2021). These are training projects that were "closed" during Q1 2022 and that have been, or will be implemented / delivered throughout the year.

2. Equatorial team

In the first quarter of 2022, the sales team generated sales of EUR 130.000 (20% more than in Q1 2021), projects that started and are to be implemented during the year. Those already implemented have materialized in 50 course sessions and 270 participants.

We continued to refine the learning programs and built the Standard Operating Procedure for the learning journey, thus ensuring the consistency of the learning process and experience of the target segment.

Starting in January, the Equatorial team added another dedicated member from the group's Marketing department, to benefit from all the expertise needed for a successful repositioning.

3. e-Learning Company team

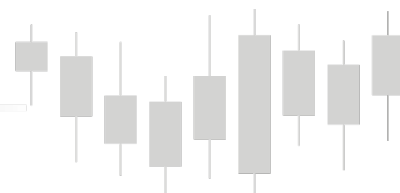
The first three months of 2022 were in line with the trend we envisaged: first and foremost, to consolidate existing clients, and to add new clients. The volume of approved contracts is of EUR 350,000, with the amendment that approximately EUR 80,000 are contracts approved for the first quarter of 2023. We have started to create learning paths for clients, which has provided us with a tool for retaining and increasing demand, and at the moment we have variants of learning paths with programs that cover between 30 and 52 weeks mapped to various needs.

In the first three months of the year we conducted a series of pilot projects in public administration, from which we had a very good feedback and we expect to start collaborations in this area as well.

We have new people in the team, we share the marketing service with Equatorial and we have a new Business Developer for a period of 6 months, with the possibility of extension, in case of a successful collaboration.

4. CLC team

For the Computer Learning Center (CLC), the first quarter of 2022 meant the full integration of the team into the internal, commercial and operational flows of the Education Division. Given the already existing pipeline at the end of 2021, in Q1 2022, CLC delivered a number of 46 projects to clients already existing in the portfolio and we still have 38 projects for cyber-security training deliveries that will also extend into the Q2 2022. At the level of the first quarter, CLC generated sales of EUR 300 thousand. CLC is the most important cyber-security training provider in Romania.



Training Delivery

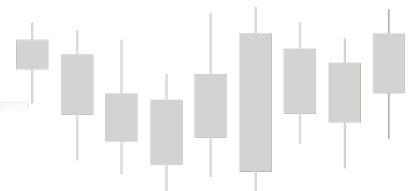
In the first quarter of 2022, the Training Delivery team continued the process of setting up the work mode in the team and in collaboration with the teams involved in the Buyer's Journey flow. We were joined by 7 new colleagues, one in the organisational team and 6 collaborating trainers.

Another important objective was the implementation of the strategy to improve the quality of delivery, with the aim of increasing the level of satisfaction of the beneficiaries of the training programs organised by us. Thus, in this quarter, we conducted performance analysis actions for a number of 9 trainers, following which we identified and applied improvement measures. In Q2 we will extend this process to the level of the entire team of technical trainers.

We delivered a number of 130 classes for a number of 1114 students, which corresponds to an average of approximately 9 students/ class. There were 26 Bittnet collaborating trainers involved in the delivery of these classes, who obtained an average of the score given by the students for their performance of 4.62 out of 5.

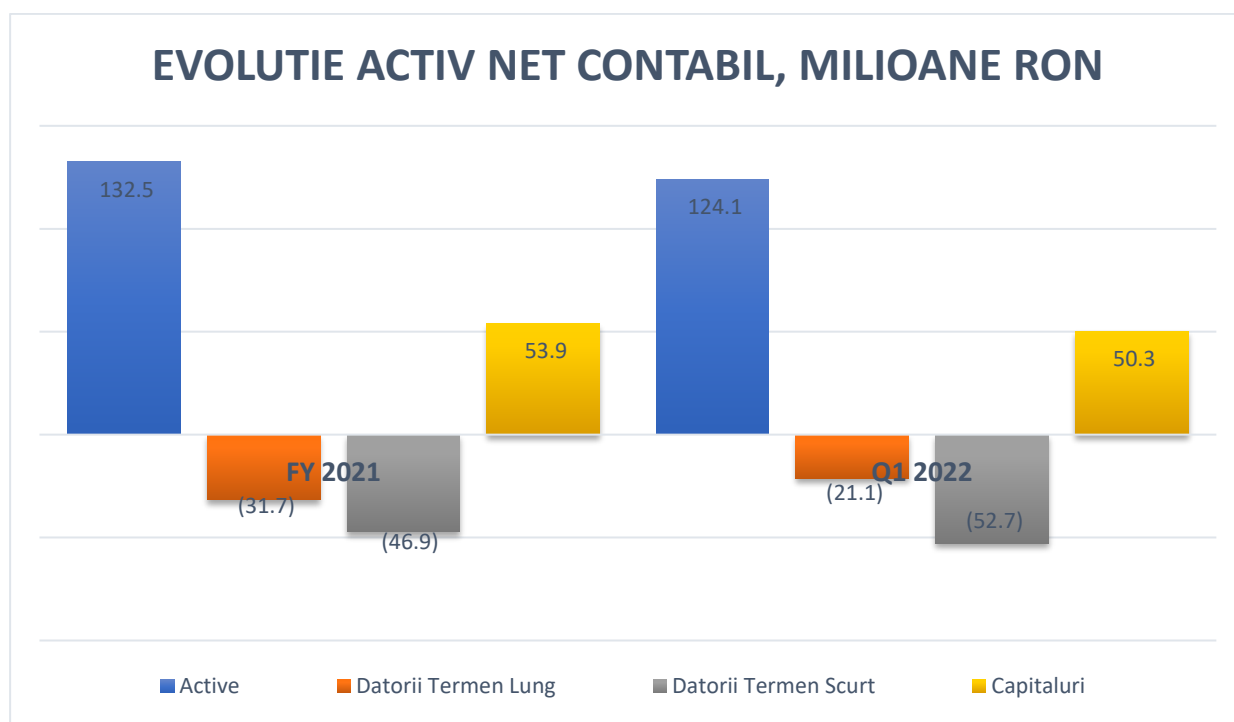
Customer Success

One of the main concerns of Customer Success in Q1 2022 was the implementation of working procedures both at the team level and with the other departments in Bittnet Training. In accordance with the plan we established at the beginning of the year, in Q1 we did the onboarding of 4 new companies, we prepared reports related to all the dedicated classes, we intervened in solving the various situations that occurred during the courses, offering our students a captivating and efficient learning experience, contributing to their professional development and, thus, to the development of the companies they represent. Also during this period, we started to gather information from the feedbacks received and the discussions with the course participants, which will materialize in use-cases in Q2.



General description of the financial position and performance of the issuer and of its subsidiaries for the relevant time period

Financial position



In first quarter of 2022, the consolidated assets at Group level stood at a similar level as at the end of 2021, registering the value of 124 million Lei (decreasing by 6% vs. Q4 2021). This decrease is mainly due to the decrease (by approximately 7 million Lei) in value of the financial assets.

On the other hand, the balance of trade receivables with clients registered an advance of 2.6 million Lei in Q1 2022 reaching the value of 35.2 million Lei (+8% vs. Q4 2021). As always, these trade receivables are "balanced" with attention to trade debts, which amounted to 37 million Lei at the end of Q1 2022, decreasing by 10.1% compared to the end of 2021.

Regarding the equity position: Total equity registered a decrease in value caused by the financial result of the analyzed period, in Q1 2022 reaching the amount of 50.3 million Lei.

Long-term debt decreased by approximately 10.6 million Lei, mainly due to the reclassification of BNET23C bond issue to "short-term debt" (thus increasing this position compared to the previous period).

Performance of the issuer and of its subsidiaries during the period

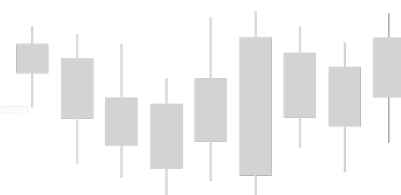
BNET GROUP	31.Mar.22	31.Mar.21	
Revenues from contract with clients	33,130,092	20,203,231	64.0%
Revenues from the provision of services	13,930,951	6,124,524	127.5%
Sale of goods	19,199,142	14,078,707	36.4%
Cost of sales	26,633,293	16,191,119	64.5%
Cost of sale of goods/materials	17,121,907	11,455,788	49.5%
Cloud services	1,208,258	1,251,314	-3.4%
Staff expenditure & Collaborators	8,303,128	3,484,016	138.3%
Gross margin	6,496,799	4,012,112	61.9%
Other revenues	164,634	103,757	58.7%
Sales/distribution expenses	2,779,344	2,057,505	35.1%
Staff expenditure & Collaborators	2,300,683	1,689,285	36.2%
Advertising	478,661	368,220	30.0%
Administrativ expenses	3,907,617	2,644,955	47.7%
Staff expenditure & Collaborators	1,659,802	1,241,416	33.7%
Amortization	559,166	710,462	-21.3%
Other third party services	834,953	360,108	131.9%
Operational Profit	(25,529)	(586,590)	95.6%

During first quarter of 2022, the consolidated turnover for the entire Group increased by 13 million Lei (from almost 20.2 million Lei to 33.1 million Lei), which led to an increase of almost 60% of the gross margin generated. The positive evolution of indirect expenses in Q1 2022 vs. Q1 2021 - by approximately 2 million Lei, divided between sales expenses (720 thousand Lei) and administrative expenses (1.26 million Lei), is due to the following factors:

- Inclusion of new companies in the consolidation perimeter: 230 thousand Lei for sales expenses and 750 thousand Lei for administrative expenses
- Other factors (increase in salaries and teams) 490 thousand Lei in sales expenses and 510 thousand in administrative expenses

The operational result of the first quarter registers, for the first time ever, a value close to zero, an improvement of almost 600 thousand Lei compared to the previous year.

The element that decisively contributed to the gross result for the period is the evolution of financial profitability from the revaluation of mark-to-market minority holdings, which is based on market quotations at the end of each quarter and which "marks a loss on paper". As we already mentioned in the 2021 Annual Report, but also in the Preliminary Report published in February 2022, the valuation of Bittnet holdings in listed companies can have an impact, either positive or negative, depending on the evolution of market quotations, from one quarter to another. We expect these long-term investments to bring significant value to our shareholders.



EDUCATION DIVISION (TRAINING)	31.Mar.22	31.Mar.21	
Revenues from contract with clients	<u>4.569.683</u>	<u>2.068.544</u>	120,9%
Cost of sales	<u>2.983.746</u>	<u>1.101.761</u>	170,8%
Cost of sale of goods/materials	62.774	34.332	82,8%
Staff expenditure & Collaborators	2.920.972	1.067.428	173,6%
Gross margin	1.585.937	966.783	64,0%
Other revenues	102.831	91.958	11,8%
Sales/distribution expenses	<u>1.117.196</u>	<u>697.141</u>	60,3%
Staff expenditure & Collaborators	915.965	486.809	88,2%
Advertising	201.231	210.332	-4,3%
Administrativ expenses	<u>1.262.226</u>	<u>1.233.373</u>	2,3%
Staff expenditure & Collaborators	453.669	497.858	-8,9%
Amortization	286.285	427.340	-33,0%
Other third party services	291.757	195.440	49,3%
Other	88.237	20.120	338,6%
Operational Profit	(690.654)	(871.773)	20,8%

During the first quarter of 2022, the turnover of the Education Division registered an advance of 2.5 million Lei, which led to an increase with the app. 64% of gross margin generated. The positive evolution of indirect expenses in Q1 2022 vs Q1 2021 - by approximately 450 thousand Lei (mainly due to the increase of sales expenses, and the inclusion of new companies in the division - 130 thousand Lei, but also the increase of teams and salaries - 300 thousand Lei) - led to an operational result of -690 thousand Lei, an improvement with the app. 180 thousand Lei compared to the similar period of the previous year.

TECHNOLOGY DIVISION (INTEGRARE)	31.Mar.22	31.Mar.21	
Revenues from contract with clients	<u>28.560.410</u>	<u>18.134.687</u>	57,5%
Revenues from the provision of services	9.361.268	4.055.980	130,8%
Sale of goods	19.199.142	14.078.707	36,4%
Cost of sales	<u>23.650.596</u>	<u>15.089.358</u>	56,7%
Cost of sale of goods/materials	17.059.133	11.421.456	49,4%
Cloud services	1.208.258	1.251.314	-3,4%
Staff expenditure & Collaborators	5.383.205	2.416.588	122,8%
Gross margin	4.909.813	3.045.329	61,2%
Other revenues	61.802	11.800	423,8%
Sales/distribution expenses	<u>1.662.148</u>	<u>1.360.364</u>	22,2%
Staff expenditure & Collaborators	1.384.718	1.202.476	15,2%
Advertising	277.430	157.888	75,7%
Administrativ expenses	<u>2.644.342</u>	<u>1.411.582</u>	87,3%
Staff expenditure & Collaborators	1.205.084	743.558	62,1%
Amortization	272.881	283.122	-3,6%
Other third party services	543.196	164.669	229,9%
Other expenses	212.492	55.251	284,6%
Operational Profit	665.125	285.183	133,2%



During the first quarter of 2022, the turnover of the Technology Division registered an advance of 10.4 million Lei, which led to an increase with the app. 61% of gross margin generated. The positive evolution of the indirect expenses within Q1 2022 vs Q1 2021 - by approximately 1.5 million Lei, divided between sales expenses (300 thousand Lei / on the background of the inclusion of new companies in the division - 100 thousand Lei, but also of the growth of the teams and salaries - 200 thousand Lei) and administrative expenses (1.2 million lei / due to the inclusion of new companies in the division - 750 thousand lei, but also the increase of teams and salaries and other administrative expenses - 450 thousand lei) - led to an operating result of 665 thousand lei, an improvement with the app. 380 thousand lei compared to the similar period of the previous year.

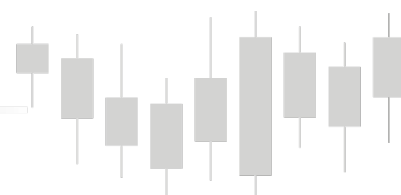


An annual outlook on the financial results (TTM)

From the first time we were required to publish quarterly results (Q3 2020, with the transition on the main market), we included in all reports an annualized perspective, as well, of the results - what Americans call "trailing twelve months". We consider the presentation of the results in this format much more relevant ("last 12 months"), because it captures more accurately the medium-term evolution of the business.

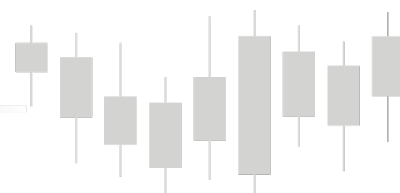
If we analyse the activity of the group at a consolidated level, for the last 12 months, the image is a positive one, with an advance of the turnover of over 15%, which generated a 32% increase of the gross margin, but also almost a doubling of the value of the EBIT indicator: from 4.16 million Lei in Q1 2021 to 7.91 million Lei in Q1 2022:

	Trailing 12M Q1 2022	Trailing 12M Q1 2021	Evolution
Revenues from contracts with clients	125,503,188	108,405,167	15.77%
Cost of sales	(98,624,436)	(88,078,074)	11.97%
Gross margin	26,878,752	20,327,093	32.23%
Other revenues	4,147,962	456.452	
Sales/distribution costs	(10,269,119)	(7,787,468)	31.87%
Administrative expenses	(12,842,781)	(8,832,253)	45.40%
EBIT	7,913,765	4,163,824	90.06%
SOP expenses	(1,008,455)	(1,573,718)	
Profit/(loss) securities in equivalence	559.195	166.585	235.68%
Financial income	8,552,922	2,302,008	271.54%
Financial expenses	(2,821,220)	(3,941,129)	-28.42%
Gross profit	13,196,207	1,117,571	1,080.79%
Income tax	(1,630,437)	(425,060)	
Net Profit, of which:	11,565,770	692.510	1,570.12%
Net profit attributable to parent company	10,289,331	602.966	
Non-controlling interests	1,276,440	89.545	



Indicators according to Annex 13 ASF Reg. 5/2018

Indicator (formula)	31.03.2022	31.03.2021
Current liquidity indicator (Current assets/Current liabilities)	1.56	2
Indicator of the degree of indebtedness (LT net debts / Equity)*100	62%	93%
Speed of client debt turnover (Average customers balance/ turnover) x 90 days	80 days	101 days
Speed of fixed assets turnover (Turnover / Fixed assets)	0.58	0.45



Risk factors

Risks regarding the Issuer's business and the field in which it conducts its activity:

The risk associated with achieving the business development plan

The strategic objective of the company is to continuously develop the customer relationships. The possibility that Bittnet may not be able to expand its current customer base or the possibility that relationships with existing customers may deteriorate cannot be ruled out. There is also the risk that the company will not be able to meet other elements of the strategy it has defined, namely: expanding the sales force, establishing a local office in one of the main cities of the country, strengthening its leader position on the IT Training market in Romania, expanding the customer base in the country and abroad and providing trainings for a larger number of potential customers, as well as developing and creating strategic partnerships with companies with similar or complementary profiles will not prove successful. In order to reduce this risk, the company intends to expand the range of products and services and improve marketing activities.

The risk associated with M&A transactions (acquisitions and mergers of other companies)

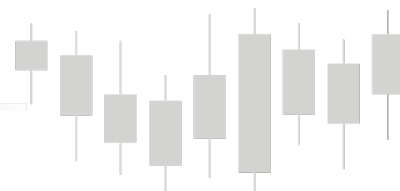
Most studies and articles debating the M&A topic (acquisition processes and mergers of other companies/businesses) show statistics lacking in promises for acquiring companies: in an overwhelming percentage, the M&A processes destroy value for both companies (especially for the buyers). This element acquires an even more negative dimension when for the procurement, companies pay with shares of the procuring company, as is the case of our group. There is a significant risk that the processes we conduct will have the same long-term negative consequences. The management tries to build each investment with a high degree of safety ("margin of safety") and to align the interests of the participants through the payment formulas and mechanisms. However, there is no guarantee that we will be able to continue to identify such solutions, and that future mergers and acquisitions will be profitable for our group.

The risk associated with making the financial forecasts

The Company's financial forecasts are based on the assumption of successfully implementing the growth strategy based on existing resources and business units. However, there is a risk associated with making the financial forecasts. The forecasts have been created with due diligence, but they are still forecasts. The current data reported in future periodic reports may differ from projected values as a result of certain factors that were not predicted in the Company's environment. The company will provide information on the possibility of making financial forecasts.

This chapter deserves a more detailed discussion. The company submits every year to the shareholders' approval a Revenue and Expenditure Budget. The management builds this BVC using a "bottom-up" approach - starting from evaluations of ongoing projects (sales pipeline available at the time of BVC production), sales statistics from previous years, marketing actions and sales already committed/planned and sales targets assumed by each member of the sales team. In other words, the BVC is built prudently.

On the other hand, what we pursue and measure in relation to the sales team and any partner is the GROSS commercial MARGIN and not the amount of sales. Therefore, every year, when the BVC is published, the management must answer the question "if we have a reasonable confidence that we will be able to generate 100 Lei of gross margin, from how many Lei of sales will we obtain this margin?". It should be taken into consideration that sales achievements are measured and estimated EXCLUSIVELY depending on the volume of the generated gross margin. In other words, the 100 Euro margin generated from sales of courses in the amount of 200 Euro is just as valuable to the company and is therefore



rewarded in the same way with the 100 Euro margin generated from sales of communications solutions in the amount of 500 Euro.

In order to be able to answer the question “how many Lei of sales is needed to produce the committed margin of 100 Lei”, we must, therefore, answer the question “what will the gross margin average percentage registered by the company be?”. According to the principle of prudence, the management applies small reductions to the gross margin percentages already recorded, in order to find the answer to this question.

The unexpected result of these precautionary estimates is that, if we apply a lower margin percentage, then we, actually, assume that we will have to “work” more for the same amount of Lei of gross margin, so the forecasts (the BVC) related to the company’s revenue are HIGHER.

Nevertheless, the company only monitors the gross margin and not the sales volume, so during the budget year it is much more likely that the revenue forecasts (the turnover) are erroneous and the company's profitability forecasts are more accurate. In other words, the management does not target, monitor or reward the achievement of any revenue target and, consequently, investors should not monitor and evaluate the company's achievement of revenue indicators (turnover), but the profitability index.

Personnel risk/delivery capacity

The Company's success depends to some extent on its ability to continue to attract, keep and motivate the qualified personnel. The Bittnet business is based on highly qualified and well-paid engineers, whose number is limited and can receive offers from the competition. If the Company fails to optimally manage the personnel needs, this may have a significant material adverse effect on the business, financial conditions, results of operations or prospects. The company offers attractive compensation packages and dynamic career development paths to attract, keep and motivate experienced staff with potential.

Bittnet has historically faced smaller staff fluctuations than the companies with which we do business with. However, two decisions we made in 2015 allowed us to resolve this issue in a "winning" way:

- adding to the organizational chart the role of internal HR and its employment by a new colleague with experience in recruitment and relationship with IT professionals. The HR role has two objectives:
 - continuous recruitment - identifying new talents to include in our technical team;
 - creating and maintaining a pleasant, engaging and healthy work environment, focused on constantly promoting the company values on which the company culture is based: competence, performance, integrity, flexibility and fun.
- listing on the Bucharest Stock Exchange, which allowed us to obtain an appreciated employer profile and helped us differentiate ourselves as an open and transparent company - an image highly appreciated by all new and old employees.

This risk continues to be one of the most important risks that ‘threaten’ our company and, consequently, the management will continue to give particular importance to this issue. In 2016, 2017, 2018, 2019, 2020 and 2021, the General Assembly approved a plan to incentivise key persons, based on actions, in order to better align their interests with the long-term interests of the Company. On the other hand, considering the overheating of the labour market and the entry in a greater proportion within the workforce of the “Millennials” generation, we consider that this risk - related to the ability to deliver the promises to clients - is a significant one for the company, accompanied as well by the continuous increase of the financial claims of the team members and collaborators (a continuous increase of fixed costs).

Perhaps the greatest risk in this respect is given by the shareholders of the company, whose continued vote is needed to continue the existence of the Stock Option Plans. Although the stock-option plan is built in such a way as to reward employees only and only if the shareholders have earned money during the



analysed period, at the time the debt is settled with the key persons, messages of dissatisfaction appear from some shareholders, claiming that “employees receive cheaper shares”, or that “this gives them the chance to sell in the market and make profit”.

This approach is, in our opinion, the greatest risk for the company in the field of human resources. If we can no longer continue to use methods of attraction and retention based on what makes us special – stock exchange listing and the value sharing mechanisms thus generated, the only alternative will be to also enter a global fight for human resources, with nothing to offer but money. We believe that this scenario is a very unfortunate one, which will strongly affect the profitability of the company, but, unfortunately, we estimate that it has a much higher probability of materializing, taking into account the recent discussions, but also the fact that, as the number of shareholders increases (now we have over 4000 shareholders), it is much harder to obtain the required legal quorum of 85%, for the implementation of SOPs in the current legislation.

Legislative/regulatory risk

Changes in the legal and fiscal regime in Romania may affect the economic activity of the Company. Changes related to the adjustments of the Romanian legislation with the regulations of the European Union may affect the legal environment of the Company's business and its financial results. The lack of stable rules, legislation and cumbersome procedures for obtaining administrative decisions may also restrict the future development of the Company.

Considering that the legislation increasingly leaves to the discretion of the fiscal body the interpretation of the application of the tax rules, in conjunction with the lack of funds to the state budget and the attempt by any means to bring these funds, we consider this risk a major one for the company, because it cannot be addressed, in any way, in a real and constructive preventive manner.

Currently, the company has 3 capital increase operations registered with the Trade Register, according to the approval of the shareholders and the decisions of the Board of Directors, operations that are not yet registered with ASF, despite the efforts made by the company. The lack of clarity regarding the company's capital, as well as the difficulty of registering operations to reduce the share capital are risks that may affect the percentages of free share allocation, dilution of some investors for the benefit of others, etc.

Business commoditization risk - loss of technological relevance of solutions

A special case related to the rapid evolution of the IT industry is the tendency of each technology to become “commodity” (very widespread, very widely adopted) and to be very well understood by customers. In such a business environment, the added value of the “resellers” companies is very low, so such a scenario leads to the decrease of the commercial margins for the business lines that are affected by commoditization. All technologies face this risk as their adoption increases. The most eloquent example is Microsoft's licensing business, where most projects are invoiced to customers with very low commercial margins: 0-2%. As other technologies acquire the same dissemination and adoption, their resale also becomes unprofitable.

The company aims to position itself as a value consultant, not as a “commodity” type “boxes” reseller. Tracking technological trends and the positioning as “first mover” helps the company to provide added value through the services provided (consultancy, building technical solutions, installation and implementation, optimization, maintenance).

Risk of unfair competition

Commoditized businesses with small margins are prone to unfair competition, in particular through dumping prices. In particular, in Dendrio's business this risk materialises when competitors often offer



customers sales prices substantially below the purchase price of those licences. This type of business approach is very difficult and expensive to demonstrate, but it can cause damage to the Issuer by losing some contracts or reducing profitability. The issuer has not identified any solution to prevent this risk. The issuer aims to address new customer types, as well as customers for whom the added value of the solutions is not represented by price reductions, but by the functionality of the solutions offered. The more widespread and adopted the business line is, the added value that can be offered by an integration partner decreases.

The issuer is in constant competition with other participants on the IT market, competition that is expected to intensify. High competition can encourage current as well as potential customers to use the services and products of the Issuer's competitors and thus negatively affect the Issuer's revenues and profitability. Strong competition may result in increased pressure on the Issuer in relation to the prices of products and services offered to customers, which may have a significant impact on the ability of the Issuer to increase or maintain its profitability. The Issuer's competitiveness in the current competitive environment depends to a large extent on its ability to adapt rapidly to new market developments and trends. To the extent that the Issuer will not be able to effectively compete with its competitors, regardless of whether it is a local or international group, this may have a negative effect on the business, financial situation, results of operations and prospects of the Issuer.

Risk of loss of reputation

The reputation risk is inherent in the economic activity of the Issuer. The ability to retain and attract new customers depends in part on the brand recognition of the Issuer and its reputation for the quality of its services. Negative public opinion about the Issuer could result from actual or perceived practices in the IT market in general, such as negligence during the provision of products or services or even from the way the Issuer carries out or is perceived to carry out its activity.

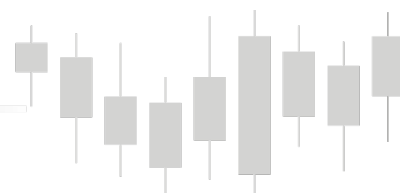
Although the Issuer makes every effort to comply with the regulations in force and to increase the positive perception of customers and potential customers regarding its services, the negative publicity and negative public opinion could affect the Issuer's ability to maintain and attract customers.

Risk of litigation

Over time, Bittnet Group companies have fulfilled their contractual obligations and therefore have not been sued by their contractual partners. As the group expands, and more companies join the group, it is possible that their partners may find that the new financial position of these group members has become more relevant to be called to court.

During 2021, according to the mandate offered by the GMS of November 2020, Bittnet requested Anchor Group - the owner of the building on Bvd. Timisoara no. 26, the extension of the office space, under the same contractual conditions, in order for us to get accustomed to the new regulations on working space (distancing between persons), but also with the team that is to be expanded, as a result of M&A transactions. Taking into account that the offer received from Anchor Group was considered non-compliant, we notified them of the application of the break-up clause in the contract, and according to the mandate offered by the GMS to the General Manager during the meeting of 26.11.2020, Bittnet group negotiated with the suppliers present in the market an optimal solution for the current development plans.

Following negotiations with various representatives, a new lease contract was signed with ONE United Properties for a space in the building ONE Cotroceni Park (OCP), for a period of 5 years and starting on 02.05.2022. The previous lease contract, concluded with Bucuresti Mall Development and Management SRL, was unilaterally terminated by Bittnet Systems as of 31.05.2021.



At the date of publication of this report, the Company has a lawsuit filed by Anchor Group having as object “claims” - described in detail in Chapter 18.6. of the 2021 Annual Report (Universal Registration Document). Given the very early stage of the dispute, we could not assess the requirement for a provision. As the case progresses, there is a risk that BNET profitability will be affected by the establishment of a provision regarding this litigation.

Credit risk

The credit risk is the risk that the debtors of the company will not be able to honour their obligations at maturity due to the deterioration of their financial situation. The company is less exposed to this risk due to the specificity of the products and services sold, which are addressed to companies of certain sizes with a special financial situation.

The company analyses new customers using specialized tools (sites with specific customer creditworthiness analysis) and has a strict procedure for documenting orders and provision of services or delivery of goods.

However, the company has not identified a solution that can completely eliminate credit risk, which is one of the most important risks for a company of our size.

The company also closely monitors the “soft-collection” processes and decides relatively quickly to switch to hard-collection procedures, which has brought us historic success in recovering receivables.

The automated IT systems alert both the sales team and managers to outstanding customers, which are “tracked” by the sales team for 1 month, so that we prioritize maintaining a good business relationship. Instead, after 1 month of unsuccessful efforts, it resorts to involving an experienced lawyer (and a positive “track record”) in the recovery of claims.

Counterparty risk

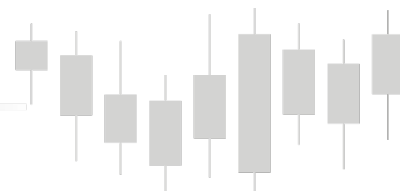
Failure by third parties to perform their obligations towards the Issuer, including in connection with the implementation of certain investment projects envisaged by the Issuer or the risk of insolvency in relation thereto may affect the fulfilment of the Issuer's business objectives or its activity or financial situation and, implicitly, its ability to perform its obligations in relation to the Bonds.

A specific example is the situation in which companies from the Issuer's group participate in public procurement procedures, and suppliers do not fulfil their assumed obligations. This scenario may result in the issuance of a “negative certificate” on behalf of the company that participated in the public procurement procedure, which would mean exclusion from other procedures in the future, thus eliminating a potential to generate revenues.

Risk associated with interest rates

The company is exposed to the risk of increasing the interest rate, having contracted loans and loans. Any increase in the interest rate will be reflected in the increase in financial costs. The company regularly monitors the market situation to predict the risk associated with the interest rate and liaises with as many credit institutions as possible in order to ensure an “arbitrage” between their offers.

In previous years, the company conducted offers of fixed interest bonds, and later reimbursed part of them. At the end of 2021, over 75% of long-term debt had a fixed interest rate of 9%. Analysing from the total interest-bearing debts, over 70% have a fixed interest rate of 9% per year. All 3 bond issuances currently existing will be due during 2023. During 2022 and 2023, the Issuer should partially or fully refinance these bond issues, and this exposes us to the risk of borrowing at higher interest rates, depending on the economic environment at the time of conducting the operations. Bank financing has fully variable interest rates, such as “ROBOR + a margin”, which further exposes us to the risk of interest



rate fluctuations. The company is in constant contact with the banking financial institutions in order to improve the financing structure.

The weighted cost of borrowed capital is around 8% per year. We believe that the next financial period (2022 - 2024) will be a period in which the fact that we have fixed the price of the borrowed capital will constitute a competitive advantage.



Contact relationship with investors

Cristian Logofatu – cofounder Bittnet

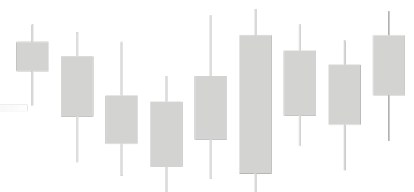
investors@bittnet.ro

<https://investors.bittnet.ro>



Annex 1 – ‘Alternative Performance Measurements’

Indicator	Definition/Calculation method	Why is it relevant?
Operating profit	<p>It is about the core business profit, i.e. the business of serving our clients.</p> <p>It takes into consideration all the incomes and expenses related to the current business and does not take into consideration the financial incomes and expenses, or those related to the holding-type business (of the group, i.e. us as a listed company). It is calculated by taking out of each business line results the income and expenses items (cash or non-cash) that are not related to the current business. The most significant adjustments (differences between gross profit and operating profit) are:</p> <ul style="list-style-type: none"> Financial result elimination (expenses addition to the gross profit, and financial-type incomes subtraction) Non-cash IFRS adjustment elimination, related to the Stock Option Plan 	<p>Operational business (also known as ‘current’ or ‘core’) means the company businesses.</p> <p>This measures the performance and the business activity in relation to the competition, regardless of the taxation environment, the reporting accounting framework or the company financing method (the mix of equity and loans, the costs of maintaining the stock exchange rate, etc.).</p> <p>That is to say, this is the result the company (or each business line) would have if it operated as a company fully financed by its own resources (by ‘equity’ – shareholders’ equity).</p>
‘Gross Margin’, or ‘gross margin’, or ‘GM’, or ‘margin’	<p>The calculation formula for this indicator is the ‘revenue MINUS COGS (cost of goods sold)’.</p> <p>Thus, the expenses directly related to those projects (obtaining those revenues) is subtracted from the invoices issued to clients. For the software license resale projects, we buy a license for RON 90 and resell it to the client for RON 100. The difference is the ‘gross margin’.</p> <p>If we invoice a client for a cloud project implementation services, the gross margin is the difference between the revenues invoiced to the client and the man-hour cost required for implementation, regardless if the implementing engineer is our employee or a subcontractor.</p>	<p>This indicator is the company’s ‘GDP’, it is the ‘added value’ that we generated for our partners.</p> <p>This indicator reflects not only the value we bring to our clients, but also, by inward looking at the company, it reflects the amounts of money we have at our disposal to cover the fixed expenses.</p>



Interim (unaudited) Financial Statements



BITTNET SYSTEMS SA

**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS, UNAUDITED,**

**Prepared in accordance with
Order of the Minister of Public Finance
no. 2844/2016, as amended,
for 3 months ended
31 March 2022**

TABLE OF CONTENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	3
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
CONSOLIDATED CASH FLOW STATEMENT	5
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
NOTA 1. GENERAL INFORMATION	7
NOTA 2. BASIS OF THE FINANCIAL STATEMENTS	13
NOTA 3. SIGNIFICANT EVENTS AND TRANSACTIONS	13
NOTA 4. INFORMATION BY ACTIVITY SEGMENTS	15
NOTA 5. CUSTOMER REVENUE.....	16
NOTA 6. CLASSIFICATION OF EXPENSES.....	17
NOTA 7. FINANCIAL INCOME AND EXPENDITURE	18
NOTA 8. TITLES	19
NOTA 9. CAPITAL AND RESERVES.....	24
NOTA 10. BONDS	30
NOTA 11. BANK LOANS	31
NOTA 12. INFORMATION REGARDING THE RELATION WITH RELATED PARTIES.....	32
NOTA 13. COMMITMENTS	32
NOTA 14. EVENTS AFTER THE REPORTING PERIOD	34

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022
(all the amounts shall be expressed in RON, unless otherwise provided)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31 March 2022	31 March 2021
Revenues from contracts with customers	33,130,092	20,203,231
Cost of sales	(26,634,342)	(16,191,119)
Gross margin	6,495,750	4,012,112
Other revenues	164,634	103,757
Sales expenses	(2,779,344)	(2,057,505)
General and administrative expenses	(4,239,399)	(3,036,242)
Profit/(loss) – Investments accounted for using the equity method	(28,046)	185,773
Financial revenues	(2,292,335)	1,246,512
Financial expenses	(815,673)	(990,136)
Gross profit	(3,494,413)	(535,728)
Income tax	221,990	32,110
Net Profit, of which:	(3,272,423)	(503,617)
related to the parent company	(3,838,848)	(495,327)
related to minority interests	566,425	(8,290)
Net Profit	(3,272,423)	(503,617)
Other comprehensive income	-	-
Total comprehensive result	(3,272,423)	(503,617)
related to the parent company	(3,838,848)	(495,327)
related to minority interests	566,425	(8,290)

The interim consolidated financial report from page [1] to page [6] was approved and signed on May 10, 2022

Mihai Logofatu
CEO

Adrian Stanescu
CFO

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022

(all the amounts shall be expressed in RON, unless otherwise provided)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 March 2022	31 December 2021
ASSETS		
Fixed assets		
Goodwill	42,181,893	41,705,648
Other intangible assets	9,068,564	9,219,368
Property, plant and equipment	2,197,453	2,352,513
Investments accounted for using the equity method	1,834,574	1,996,840
Other financial fixed assets	1,565,574	2,041,467
Deferred tax	449,227	47,257
Total fixed assets	57,297,284	57,363,094
Current assets		
Inventories	1,311,910	1,184,962
Trade receivables and other receivables	35,201,064	32,644,937
Financial assets at fair value	10,987,298	17,919,885
Cash and cash equivalents	19,343,060	23,403,197
Total current assets	66,843,332	75,152,981
TOTAL ASSETS	124,140,616	132,516,075
EQUITY AND DEBTS		
Share capital	48,043,690	48,043,690
Share premium	14,542,953	14,542,953
Other equity items	(18,749,672)	(19,082,504)
Reserves	1,293,894	1,114,139
Retained earnings	4,103,644	8,122,246
Capital related to the parent company	49,234,508	52,740,525
Non-controlling interests	1,075,526	1,164,851
Total equity and reserves	50,310,034	53,905,376
Long-term debts		
Bonds	14,266,292	24,044,334
Bank loans	5,590,875	6,327,926
Leasing liabilities	593,774	676,929
Long-term debts	635,574	624,136
Total long-term debts	21,086,516	31,673,325
Current debts		
Bonds	10,342,457	872,768
Bank loans	3,839,692	3,882,132
Leasing liabilities	490,747	540,786
Dividends payable	461,475	9,995
Profit tax liabilities	483,990	294,606
Trade payables and other debts	37,125,705	41,337,088
Total current debts	52,744,066	46,937,374
Total debts	73,830,582	78,610,699
TOTAL EQUITY AND DEBTS	124,140,616	132,516,075

The interim consolidated financial report from page [1] to page [6] was approved and signed on May 10, 2022

Mihai Logofatu
CEOAdrian Stanescu
CFO

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
for 3 months 2022, ended 31 March 2022
(all the amounts shall be expressed in RON, unless otherwise provided)

CONSOLIDATED CASH FLOW STATEMENT

	31 March 2022	31 March 2021
Gross profit	(3,494,413)	(535.728)
Adjustments for:		
Depreciation expenses	559,166	710.462
Benefits granted to employees SOP	332,831	391.287
Adjustments for impairment of receivables	-	-
Interest expenses and other financial costs	807,307	990.136
Interest revenues and other financial revenues	38,049	(34.722)
Securities investment gains	2,301,516	(1.211.791)
Gain from investments accounted for using the equity method	28,046	(185.773)
Operating profit before working capital change	572,501	123.872
Variation of receivables account balances	(2,017,015)	10.275.924
Variation of stock account balances	(126,948)	(557.142)
Variation of accounts payable balances	(663,447)	(11.145.363)
Cash generated from operation	(2,234,909)	(1.302.708)
Profit tax paid	9,404	(65.081)
Net cash from operating activities	(2,225,505)	(1.367.789)
Investment activities:		
Payments for the purchase of subsidiaries, +/- purchased cash	(4,012,742)	-
Payments for the purchase of participating interests	-	(450.000)
Loans granted to related entities	-	240.000
Acquisitions of tangible and intangible assets	(253,302)	(336.114)
Proceeds from other financial investments	4,631,071	1.067.443
Dividends collected	21,520	-
Interest collected	3,264	34.722
Net cash from investment activities	389,812	556.050
Financing activities:		
Proceeds from share issue	-	10.412.024
Repurchases/sales of own shares	55,400	-
Drawdowns from bank loans	(779,491)	(701.190)
Receipts/reimbursements from the bond issue	-	-
Payments of leasing liabilities	(180,424)	(310.967)
Interest paid	(1,115,658)	(1.183.070)
Dividends paid related to minority interests	(204,270)	-
Net cash from financing activities	(2,224,443)	8.216.797
Net increase in cash and cash equivalents	(4,060,137)	7.405.058
Cash and cash equivalents at the beginning of the financial year	23,403,197	24.872.655
Cash and cash equivalents at the end of the financial year	19,343,060	32.277.713

The interim consolidated financial report from page [1] to page [6] was approved and signed on May 10, 2022

Mihai Logofatu
CEO

Adrian Stanescu
CFO

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022

(all the amounts shall be expressed in RON, unless otherwise provided)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Issue premiums	Other equity items	Legal reserves	Reported result	Equity – Total	Noncontrol interests	Share capital - Total
31 december 2020	26,443,139	25,409,965	(19,893,997)	451,993	(5,020,028)	27,391,073	255,237	27,646,310
Net profit	-	-	-	-	(495,327)	(495,327)	(8,290)	(503,617)
Other elements of the overall result	-	-	-	-	-	-	-	-
Result – Total	-	-	-	-	(495,327)	(495,327)	(8,290)	(503,617)
<i>Transactions with shareholders</i>	-	-	-	-	-	-	-	-
Share capital increase	1,817,855	8,915,684	(321,515)	-	-	10,412,024	-	10,412,024
Benefits granted to SOP employees	-	-	391,287	-	-	391,287	-	391,287
Distribution of the legal reserve	-	-	-	72,878	(72,878)	-	-	-
31 march 2021	28,260,994	34,325,649	(19,824,224)	524,871	(5,588,233)	37,699,057	246,947	37,946,003
	Capital social	Prime de emisiune	Other equity items	Legal reserves	Rezultat reportat	Total capitaluri	Interese care nu contoleaza	Total capitaluri prop
31 december 2021	48,043,690	14,542,953	(19,082,504)	1,114,139	8,122,246	52,740,525	1,164,851	53,905,376
Net profit	-	-	-	-	(3,838,848)	(3,838,848)	566,425	(3,272,423)
Other elements of the overall result	-	-	-	-	-	-	-	-
Result – Total	-	-	-	-	(3,838,848)	(3,838,848)	566,425	(3,272,423)
<i>Transactions with shareholders</i>	-	-	-	-	-	-	-	-
Share capital increase	-	-	-	-	-	-	-	10,412,024
Benefits granted to SOP employees	-	-	332,831	-	-	332,831	-	391,287
Dividends	-	-	-	-	-	-	(655,750)	(655,750)
Distribution of the legal reserve	-	-	-	179,754	(179,754)	-	-	-
31 march 2022	48,043,690	14,542,953	(18,749,672)	1,293,894	4,103,644	49,234,508	1,075,526	50,310,034

The interim consolidated financial report from page [1] to page [6] was approved and signed on May 10, 2022

Mihai Logofatu, CEO

Adrian Stanescu, CFO

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022

(all the amounts shall be expressed in RON, unless otherwise provided)

NOTA 1. GENERAL INFORMATION

Group structure and operational activities

The financial statements include the consolidated financial information of the parent company Bittnet Systems (the "Issuer"), headquartered in Str. Soimus nr. 23, bl 2, ap. 24, Sector 4, Bucharest, and the following subsidiaries, all being registered in Romania:

	<u>31 March 2022</u>	<u>31 December 2021</u>
SUBSIDIARIES - % ownership		
Dendrio Solutions	100%	100%
Elian Solutions	51.02%	51.02%
Equatorial Gaming	98.99%	98.99%
Equatorial Training, through Equatorial Gaming	100%	100%
Computer Learning Center	100%	100%
ISEC Associates	69.992%	69.992%
IT Prepared	50.2%	50.2%
Nenos Software	60.97%	60.97%
Nonlinear	60%	60%
Global Resolution Experts	60%	60%
GRX Advisory, through Global Resolution Experts	60%	60%
MINORITY INTERESTS		
E-Learning Company	23%	23%

The Group has over 200 employees and collaborators, who work for one of the 12 companies included in the group (Bittnet Systems, Dendrio Solutions, Elian Solutions, Equatorial Gaming, Equatorial Training, Computer Learning Center, ISEC Associates, IT Prepared, Nenos Software, Nonlinear, Global Resolution Experts, GRX Advisory).

The consolidated financial statements include the results of the business combination through the acquisition method. In the statement of financial position, the assets, liabilities and contingent liabilities of the acquirer entity are initially recognized at their fair values at the acquisition date. The results of the acquired operations are included in the consolidated statement of comprehensive income from the date of acquiring control (Dendrio Solutions – September 2017, Elian Solutions – November 2018, Equatorial Gaming and Equatorial Training – December 2020, Computer Learning Center, ISEC Associates, IT Prepared, Nenos Software, Nonlinear – August 2021, Global Resolution Experts and GRX Advisory – December 2021).

Bittnet Systems S.A.

Bittnet was established in 2007 and focused on providing IT training and integration solutions, based on market-leading technologies such as Cisco, Microsoft, Dell, Oracle, HP, VMware, Google, Amazon Web Services.

In February 2009, the company changed its legal status to joint stock company (SA), following the increase in the share capital, using the profits generated in 2008. In 2012, the company received a first infusion of capital "from abroad" (equity investment) from the business angel Răzvan Căpățînă, who is still an important shareholder of the company.

Since March 2015, Bittnet has been listed on the AeRO market of the Bucharest Stock Exchange, under the symbol BNET. Bittnet was the first IT company to be listed on BVB, after an infusion of EUR 150,000 in the company, received from the Polish fund Carpathia Capital SA in exchange for a 10% stake.

In 2016, the company created a new area of expertise by introducing consulting and cloud migration services. As a result, Bittnet has launched a series of actions dedicated to customers strictly for this range of services, targeting a

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022

(all the amounts shall be expressed in RON, unless otherwise provided)

new group of customers, with a slightly different profile. During 2017, the company continued to invest in increasing and diversifying AWS and Azure-specific technical skills in order to meet the requests received.

From April 2018, the new structure of the group was adopted and the business structure of Bittnet Group was reorganized into two key divisions: Education and Technology.

- **Education** - which currently consists of the IT training segment where Bittnet is the market leader, with almost 20 years of experience and the largest team of trainers in Romania.

The trainings provided by **Bittnet** and **Equatorial Gaming** allow the access of technology experts by teaching IT skills, from the basic ones (e.g.: Microsoft Office Suite) to the most advanced ones (Cloud, DevOps, Cybersecurity). The business training portfolio includes project management, IT services management, business intelligence, CRM, ERP, Agile etc.

- **Technology** - which is focused on IT integration services, offering integration solutions previously offered by both **Bittnet**, **Dendrio** and **Eliau**. This activity has a shared portfolio of products, services and solutions and a larger team that will allow a greater volume of work, both technically and in terms of sales.

Starting with June 2020, Bittnet shares (symbol: BNET) have been listed on the Regulated Market of BVB.

Dendrio Solutions

During 2017, the Bittnet Group acquired GECAD NET from the entrepreneur Radu Georgescu. In the first half of 2018, GECAD Net was renamed Dendrio Solutions. Dendrio is the only integrator of hybrid "multi-cloud" solutions in Romania, having a consolidated position as a company certified by the most important IT providers in the world, focusing on cloud and IT security.

The IT solutions provided by Dendrio include: general consulting services, IT assessment services, implementation and migration services, maintenance and support services, infrastructure optimization services and IT training services. The company is the only "hybrid multi-cloud" integrator in Romania, consolidating its position as a certified company by the most important IT providers in the world, focusing on cloud and cybersecurity.

In December 2018, Bittnet acquired the IT&C integration activity of Crescendo International SRL, a company with 25 years of experience in Romania and on foreign markets. Crescendo's IT&C division has been integrated into Dendrio and, as a result of the merger, the company benefits from a more stable business structure, extensive staff resources, and an extensive portfolio of customers, products and services.

Eliau Solutions

In 2018, the Group acquired a majority stake in the company that provides ERP solutions, Eliau Solutions. Eliau completed the offer of IT integration services by adding ERP solutions in the group's portfolio.

Eliau Solutions is specialized in providing implementation services for Enterprise Resource Planning (ERP) solutions, Microsoft Dynamics NAV. Eliau is the only partner who holds a Gold Certificate for this solution from Microsoft in Romania. The solution implemented by Eliau allows companies to know the situation of stocks, receivables and debts, to be able to forecast, inter alia cash flow, to track production, cost centers and much more.

Equatorial Gaming

In 2018, the Group acquired a significant stake in the game-based learning company, Equatorial Gaming. Following the acquisition, Equatorial's activities were integrated into the **Education** division.

In August 2020, Bittnet activated the option to convert the loan amounting to RON 1,050,000, granted in 2018 to Equatorial Gaming, the equivalent of 20.1% of the share capital. In November 2020, Bittnet shareholders approved the purchase of a number of registered shares representing 60.3665% of the share capital of Equatorial Gaming SA. Following these operations, Bittnet Systems reached a holding of 98.99% of the share capital of Equatorial Gaming SA.

Equatorial, a *game-based learning* company, specializes in providing transformative training and consulting programs at the individual, team and organizational levels in Romania and abroad. In 2015, the company invented and launched Equatorial Marathon, an Alternate Virtual Reality Game for corporations, which increases involvement and stimulates

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022

(all the amounts shall be expressed in RON, unless otherwise provided)

employee behavior change. In 2018 Equatorial launched a new product: VRunners, an evolution for Marathon mobile platforms. In 2019, Equatorial released 2 new games: White Hat and Bona Fidae Agency.

Computer Learning Center & ISEC Associates

In August 2021, the Group informed investors of signing the share sale-purchase agreements for taking over the cybersecurity company - ISEC Associates SRL and the IT training company - Computer Learning Center.

The acquisition price for 100% of Computer Learning Center (CLC) is RON 725,000, amount settled in 2 installments: the first installment, of RON 225,000, was paid by payment order during August 2021, and the second installment - worth RON 500,000, conditional upon eliminating from the CLC patrimony the assets that were not relevant for the company's current activity - was paid in January 2022.

Bittnet Group is therefore consolidating its Education division and expands the portfolio of certifications, especially in the cybersecurity sector. The company collaborates with over 30 certified trainers and has delivered over 2,500 courses to 15,000 participants over the past few years.

Following Bittnet Systems' entry into the shareholding, the parties also signed in September 2021 a loan agreement by which the Issuer made available to Computer Learning Center the amount of RON 560,000 for financing the working capital for a maximum period of 3 years and an interest of 9% per year. The loan was successively increased to the amount of RON 1,935,000 during October 2021 - February 2022.

The acquisition price for purchasing 69.99% of the shares of ISEC Associates is RON 295,000, amount paid in a single installment, via bank transfer, to the founding shareholder, Alexandru Andriescu.

ISEC Associates is a company founded in 2003, specializing in complete security audit, consulting and testing services. ISEC helps companies identify, evaluate, secure and manage information security. By purchasing ISEC, Bittnet is developing its position in the cybersecurity market.

Following Bittnet Systems' entry into the shareholding, the parties also signed a loan agreement by which the Issuer made available to ISEC Associates the amount of RON 370,000 for financing the working capital for a maximum period of 3 years and an interest of 9% per year. The loan was successively increased to the amount of RON 470,000 in February 2022.

Computer Learning Center and ISEC Associates were consolidated in the financial statements starting with September 2021.

IT Prepared

In August 2021, the Group informed the investors and the Market of completion of negotiations and signing the agreement for taking over a majority stake in IT Prepared SRL. The price of the transaction amounts to USD 673,200 for 50.2% of the share capital of the company and will be paid by a mix of cash and BNET shares in 3 installments, as follows:

- The first installment, of USD 265,200, was paid in RON immediately after signing the share sale-purchase contract, by payment order to the two founding shareholders of IT Prepared;
- Installments 2 and 3, worth USD 265,200 and USD 142,800 respectively, will be paid to IT Prepared founders by settlement in BNET shares in a future share capital increase operation. The actual number of shares to be issued shall be determined in accordance with the provisions of art. 210(2) of Law 31/1990 and art. 87-88 of Law 24/2017 on issuers of financial instruments and market operations and art. 174 of FSA Regulation No. 5/2018. BNET shares for each of the installments 2 and 3 will be issued after closing and approving the financial statements of IT Prepared related to 2021 (installment 2) and 2022 (installment 3).

The transaction for taking over the majority stake in IT Prepared SRL was approved by Shareholders in the EGMS of 26 November 2020. Taking into account that the financial and operational situation of IT Prepared SRL changed between the moment of approval granted by the EGMS and the moment of signing the investment approval, the parameters of the transaction were renegotiated to the benefit of Bittnet, the final evaluation being reduced to half

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022

(all the amounts shall be expressed in RON, unless otherwise provided)

(therefore, Bittnet took over the majority stake) and the payment following to be conditional upon confirmation of positive operational results in 2021 and 2022.

IT Prepared was consolidated in the financial statements as of September 2021.

Nenos Software & Nonlinear

In August 2021, the Group informed the capital market of completion of negotiations and signing of contracts for taking over the majority stakes in software developer Nenos Software SRL and in Nonlinear SRL.

The value of the transaction for the acquisition of 60.97% in Nenos Software is RON 4,850,000, price settled in two installments, as follows:

- 50% of the transaction price (i.e. the amount of RON 2,425,000) was paid via bank transfer in the account of the sole shareholder of Nenos Software;
- 50% of the transaction value will be settled by allocating Bittnet shares to the sole shareholder of Nenos Software, operation to be completed by capital increase. The actual number of BNET shares to be issued shall be determined in accordance with the provisions of art. 210(2) of Law 31/1990 and art. 87-88 of Law 24/2017 on issuers of financial instruments and market operations and art. 174 of FSA Regulation No. 5/2018.

For purchasing 60% in Nonlinear SRL, the price of the transaction is RON 120 and is equal to the face value of the equity interests assigned. Nonlinear in 2020 had a turnover of RON 392,442 and a net profit of RON 115,018, having 4 software developers employed.

Nonlinear in 2021 signed a grant agreement for the development of a digitization product, intended for SMEs and micro-enterprises, which will allow automation of HR, accounting, invoicing processes etc. The product is a no-code platform, in which process automation can be done by employees without programming knowledge. The grant amounts to EUR 1.5mln, with an own contribution of EUR 0.5mln.

By taking over the majority stakes in Nenos Software SRL and Nonlinear SRL, Bittnet is consolidating its position in the software development division, also entering the sector of artificial intelligence.

Nenos Software and Nonlinear were consolidated in the financial statements starting with September 2021.

Global Resolution Experts (GRX) & GRX Advisory (GRX-A)

Global Resolution Experts S.A. (CUI 34836770), owned 60% by Bittnet Systems, is a professional service company in the cybersecurity area, which provides penetration tests, and also design, implementation and maintenance of cybersecurity solutions. It fully owns GRX Advisory SRL (CUI 43813325), with similar services.

The group initially acquired, in December 2021, a 74% stake in the parent company - GRX, and later, at the end of 2021, it attracted a number of individual and legal entity investors, by selling 14% of GRX shares. The price paid for 74% of GRX shares is RON 11,425,600, of which RON 5,150,400 was paid in December 2021 and RON 6,275,200 will be paid with the completion of audit for the financial results of 2021. The selling price for 14% of the shares owned in GRX was RON 3,472,631, amount fully collected in December 2021 - January 2022.

The services offered by GRX are similar to those offered by ISEC: professional services in the cybersecurity area: IT compliance audit, Penetration tests for Web applications and IT infrastructure, for beneficiaries in Romania and the European Union; design, implementation and maintenance of IT management systems and informational security for compliance with ISO27001, ISO9001, ISO20000 standards; design of controls and IT security systems to be implemented (VPN, Antivirus/AntiX, DLP, NAC, IDS/IPS); design of architecture of IT infrastructure technical solutions for the integration of financial information systems in the Public Cloud; design of architecture of IT infrastructure technical solutions for the implementation of complex information systems in the public sector (without participation in the implementation of those solutions by beneficiaries).

GRX and GRX-A were consolidated in the financial statements from 31.12.2021 only at balance sheet level.

The E-Learning Company S.A.

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022

(all the amounts shall be expressed in RON, unless otherwise provided)

According to the November 2020 mandate of the General Meeting of Shareholders, Group management completed in January 2021 negotiations to acquire 23% of the share capital of The E-Learning Company (ELC).

The E-Learning Company has a portfolio of solutions and various products structured in several directions covering areas such as personal and professional development, communication, sales and negotiation, marketing, human resources, project management, Microsoft Office, finance, English etc.

The total estimated value of the transaction is dimensioned at the amount of RON 1.75 million. Payment to the founders of E-Learning Company will be made in two stages, according to Decision no. 6 of Bittnet EGMS from November 2020, through a mix of cash and BNET shares:

- the first installment of RON 850,000 was fully paid in cash, the amount of RON 450,000 during Q1/2021, and the rest in April 2021. Bittnet management made the decision to fully pay the installment 1 in cash, given that in the long period of processing the operation of share offsetting operation to founders of the previous M&A transactions - the acquisition of 25% in Softbinator and 99% in Equatorial Gaming.
- The second installment will be calculated at the beginning of 2022, subtracting the value of the first installment from the transaction price.

The exact price of the transaction and the allocation between cash and compensation by BNET shares will be made depending on the fulfillment of certain profitability indicators that ELC aims to obtain for the financial year 2021. The number of shares for the partial offsetting of the second installment will be determined in accordance with the provisions of art. 210(2) of Law no. 31/1990 and Articles 87-88 of Law no. 24/2017 on issuers of financial instruments and market operations and Article 174 of the FSA Regulation no. 5/2018. As a result of the investment contract, Bittnet has allocated a position in the Board of Directors of E-Learning Company, a position that will be occupied by Ivylon Management SRL through Logofatu Cristian. Bittnet has decided to participate in ELC in order to reach certain minimum profitability limits, which is why, in the coming years, the distribution of dividends will be pursued, so that Bittnet can achieve a return of at least 18% annually provided that ELC to achieve a degree of profitability at least equal to this percentage.

Following Bittnet Systems' entry into the shareholding, the parties also signed a loan agreement by which the Issuer made available to The E-Learning Company the amount of RON 240,000 for financing the working capital for a maximum period of 3 years and an interest of 10 % per year.

The Group's Management

On 29 January 2020, the General Meeting approved the amendment of the company's articles of association in the sense of its administration by a Board of Directors composed of 3 members. The composition of the Board is according to the election results:

- 1) **Ivylon Management SRL** by **Mihai Alexandru Constantin Logofatu**. At the time of drafting this note, Mihai Logofatu holds a number of 57.870.621 shares, representing 12.0454% of the share capital and voting rights. Mihai Logofatu is the co-founder of Bittnet Systems.
- 2) **Cristian Ion Logofatu**, who owns a number of 53.461.971 shares, which represents 11.1278% of the share capital and voting rights. Cristian Logofatu is the co-founder of Bittnet Systems.

Mihai and Cristian Logofatu are brothers, being the co-founders of the Issuer in 2007.

- 3) **Anghel Lucian Claudiu** – independent manager, who holds a number of 3,987,554 shares of the Issuer, i.e. a percentage of 0.82998% of the voting rights.

The operational management of Bittnet Systems is provided by: **Mihai Logofatu** – CEO and cofounder and **Adrian Stanescu** – CFO, together with **Cristian Herghellegiu** – VP for Technologies, who joined the executive team with the acquisition Gecad Net – and **Dan Berteanu**, VP for Education. The 4 persons are identified as key management from the IFRS perspective.

Starting with 2012, after attracting the capital infusion from Razvan Capatina, Bittnet built an **Advisory Board**, composed of people with a special reputation due to their rich entrepreneurial and managerial experience: **Sergiu Negut, Andrei Pitis and Dan Stefan**.

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022

(all the amounts shall be expressed in RON, unless otherwise provided)

Starting with 2020, the Advisory Board was transformed into the Strategic Development Committee with the same component.

Starting with 2019, Mr. **Herghelegiu** is VP for Technologies and Mr. **Berteanu** is VP for Education.

The Advisory Board meets at least 4 times a year and is presented with internal management reports, and board members assist and guide the Company's management in the strategic decisions.

The experience of the members of the advisory board has been a real support in the development of the Company in the last 4 years and Bittnet continues to rely on their support in the face of new challenges.

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022

(all the amounts shall be expressed in RON, unless otherwise provided)

NOTA 2. BASIS OF THE FINANCIAL STATEMENTS

The Group's financial statements are prepared in accordance with International Financial Reporting Standards adopted by the European Union ("EU IFRS") and OMFP 2844/2016, respectively, as amended and supplemented, "for the approval of accounting regulations in accordance with International Financial Reporting Standards", the transition date is January 1, 2016.

The consolidated reporting period for the 3-month period ended March 31, 2022 has been prepared in accordance with IAS 34 "Interim Financial Reporting". This report does not include all the information and disclosures that would be required in a complete set of IFRS financial statements and should be read in conjunction with the 2021 annual financial statements.

The Group has applied the same accounting policies and valuation methods in the interim reporting as for the annual financial statements. There are no significant implications for amendments to IFRS 16 on Leasing Concessions. There are a number of standards, changes to standards and interpretations issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt in advance.

The Group is currently assessing the impact of these new accounting standards and changes, but does not anticipate a significant impact. The essential estimates and reasoning applied in the annual financial statements are evaluated continuously and consistently applied based on historical experience and other factors, including expectations about future events that are considered reasonable in those circumstances. In the future, the actual experience may differ from these estimates and assumptions. Estimates and assumptions that present a material risk of materially adjusting the carrying amounts of assets and liabilities in the next financial year are discussed below.

Essential reasoning

- Revenue recognition - main / agent relationship;
- Bittnet brand recognition;
- Recognition of the loyalty program for employees / collaborators by offering shares - "SOP"
- Reclassification of Softbinator Technologies investment from securities put into equity at fair value through profit or loss Estimates and assumptions

Valuation at fair value of financial assets held for sale

- Evaluation of the consideration related to the loyalty program for employees / collaborators by offering shares - SOP;
- Assessment of adjustments for impairment of receivables.

NOTA 3. SIGNIFICANT EVENTS AND TRANSACTIONS

The economic context

The Coronavirus pandemic posed a serious threat to public health, and the Government imposed restrictions on individuals and legal entities. The significant development and spread of Coronavirus did not take place until January 2020. The impact on business and the measures taken are presented below. Given the exit from the alert and the lifting of restrictions, it is expected that the impact for the financial year 2022 will be reduced.

Measures taken

Using the technological solutions in the Dendrio portfolio, since March 2020, approximately 90% of the Bittnet Group team works from home, without significant interruptions of daily activities. This measure has been taken for an

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022

(all the amounts shall be expressed in RON, unless otherwise provided)

indefinite period. If it is necessary for all 100% of the team members to work from home, the Group does not foresee any significant administrative impediment in its day-to-day work, and the work schedule will continue as close as possible to the usual schedule. Impact on business The event that marked the years 2020-2021 is the global pandemic of Covid-19, and the restrictions on movement and activity ("lockdowns") imposed by governments in all parts of the world, significantly affecting some industries. This situation could generate a liquidity crisis, as a result of the fears of consumers and companies on the subject of a future recession or economic crisis. However, it seems that the monetary measures taken by governments and central banks have given enough confidence to the business environment that a 'credit crunch' will not occur. The group closely monitors liquidity indicators - conversion of receivables into cash, turnovers with customers and suppliers, etc. The effects of this general environment are:

- The semiconductor crisis has significantly affected projects that include hardware components. Although in the first quarter and even the first 6 months of 2021 there were moments of return of supply flows with components (processors/chips), since May 2021 this trend has entered a downward spiral (more information: <https://www.bloomberg.com/news/articles/2021-05-18/wait-for-chip-deliveries-increased-in-sign-shortage-persists> and here: <https://www.bloomberg.com/news/articles/2021-08-23/chip-shortage-set-to-worsen-as-covid-rampages-through-malaysia>). When can we consider this situation over? Definitely not in the near future: <https://www.bloomberg.com/graphics/2021-chip-production-why-hard-to-make-semiconductors/>
- The pressure of the human factor - the global pandemic has introduced a flexibility in the way companies contract and interact with employees and collaborators. More and more global projects are being delivered with relocated resources, the geographical location currently has only a purely fiscal significance. As a result, Romanian IT companies, including companies in the group's technology division, face extremely aggressive global competition in a market where skilled labor is scarce and increasingly mobile.
- The consistent digitization of work processes over the last two years has led to a significant increase in the demand for expertise in the Cybersecurity space. Given that Dendrio offers a wide range of solutions and services in the area of cybersecurity, but also the fact that since August 2021 the technology division has begun to include other companies with exceptional cyber expertise, such as: IT Prepared, Global Resolution Experts (GRX), or iSec Associates (iSec) - we can consider that at this moment the technology division and the Bittnet group are in an extremely favorable position for the next period.

Cyclicality / seasonality of income

Historically, given the seasonality of budgets and spending patterns in the IT&C sector in Romania and globally, the most significant results of Bittnet have always been recorded in the last months of the year, more precisely in the 4th quarter of each year. We mention this aspect because during the whole period when we were listed on AeRO, we published only half-yearly results, and the investors did not have the opportunity to fully understand our performance from one quarter to another. As a guide, in the company's history, the results of the first nine months represented approximately 60% of the turnover of the year, and in the 4th quarter, approximately 40%. This is due to the specifics of our clients, large, very large and even giant companies, which operate with annual budgets.

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022
(all the amounts shall be expressed in RON, unless otherwise provided)

NOTA 4. INFORMATION BY ACTIVITY SEGMENTS

Reporting by business segments is done in a manner consistent with internal reporting to the main operational decision maker. The main operational decision-maker, which is responsible for allocating resources and evaluating the performance of business segments, has been identified as the Executive Management that makes strategic decisions. Bittnet Group operates in two key divisions: Education and Technology.

- Education - which currently consists of the IT training segment The trainings offered by Bittnet, Equatorial and CLC allow the access of technology experts by teaching IT skills, from the basic ones (eg: Microsoft Office Suite) to the most advanced ones (Cloud, DevOps, Cybersecurity). The business training portfolio includes project management, IT services management, business intelligence, CRM, ERP, Agile, etc.)
- Technology - which is focused on IT integration services, offering integration solutions previously offered by both Bittnet and Dendrio, Elian, IT Prepared, Nenoss Software & Nonlinear, ISEC Associates, GRX and GRX-A. This business has a shared portfolio of products, services and solutions and a larger team that will allow for a larger workload, both technically and in terms of sales. Gross margin is the main indicator that Management monitors in evaluating performance in each segment. Also, sales costs are tracked on each segment, while other general and administrative costs have not been allocated.

OPERATIONAL RESULTS	3 months 31 march 2022			3 months 31 march 2021		
	Education	Technology	Total	Education	Technology	Total
Total revenue	4,680,500	29,071,043	33,751,543	2,068,544	18,196,660	20,265,204
Revenue between segments	(110,817)	(510,634)	(621,451)	-	(61,973)	(61,973)
Revenues from contracts with customers	4,569,683	28,560,410	33,130,092	2,068,544	18,134,687	20,203,231
Gross margin	1,585,937	4,909,813	6,495,750	966,783	3,045,329	4,012,112
Allocated sales costs	(1,117,196)	(1,662,148)	(2,779,344)	(697,141)	1,360,364	(2,057,505)
Margin, after sales costs	468,741	3,247,665	3,716,406	269,643	1,684,965	1,954,607
Other incomes	102,831	61,802	164,634			103,757
Unallocated operating expenses			(4,239,399)			(3,036,242)
Financial income / expenses			(3,136,054)			442,149
Gross result			(3,494,413)			(535,728)

ASSETS / LIABILITY	31 march 2022			31 december 2021		
	Education	Technology	Total	Education	Technology	Total
Active in the segment	22,613,918	76,875,732	99,489,649	21,489,767	83,715,450	105,205,218
Unallocated assets			24,650,967			27,310,857
Assets – Total			124,140,616			132,516,075
Debts by segment	12,239,903	49,334,949	61,574,852	16,881,488	50,477,490	67,358,978
Unallocated debts			12,255,730			11,251,721
LIABILITY – Total			73,830,582			78,610,699

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022
(all the amounts shall be expressed in RON, unless otherwise provided)

NOTA 5. CUSTOMER REVENUE

Revenues from customer contracts are detailed in the following table:

	3 months	
	31 march 2022	31 march 2021
Training services	4,569,683	2,068,544
IT integration services	9,361,268	4,055,980
Revenue from the provision of services	13,930,951	6,124,524
Goods for integrating IT solutions	12,698,932	8,118,480
Reselling licenses	6,500,209	5,960,227
Sale of goods	19,199,142	14,078,707
Total	33,130,092	20,203,231

Training services

Revenues from training services include access to technology experts by teaching IT skills, from basic (eg Microsoft Office Suite) to advanced (Cloud, DevOps, Cybersecurity). The business training portfolio includes project management, IT services management, business intelligence, CRM, ERP, Agile, etc. Bittnet offers a wide range of IT courses. Each course can be held in two flexible ways: intensive (5 days a week, 8 hours a day) or mixed format (2/4/6 hour courses, depending on the client's needs). Each student receives access to dedicated equipment, official curriculum, as well as online and offline exams. Revenues are recognized at a specific time, at the end of the training as a result of fulfilling the execution obligation.

IT solution integration services

The IT solutions provided by the Group include: general consulting services, IT assessment services, implementation and migration services, maintenance and support services, infrastructure optimization services. The integrator business involves providing solutions and services starting with the initial analysis, design, implementation and testing phase that results in turnkey projects for companies with different IT needs. In general, revenues are recognized at a specific time, at the end of the implementation as a result of the fulfillment of the execution obligation.

Revenue from the sale of goods and licenses

Revenue from the sale of goods and licenses is recognized when the customer gains control of the transferred assets.

Geographical income

The revenues are significantly provided and the goods are delivered to entities in Romania.

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022
(all the amounts shall be expressed in RON, unless otherwise provided)

NOTA 6. CLASSIFICATION OF EXPENSES

	3 months	
	31 march 2022	31 march 2021
Goods	11,813,150	6,929,843
Resell licenses	5,387,945	4,552,633
Staff expenditure	4,726,958	2,343,296
Expenses with collaborators	4,006,604	2,811,845
Amortization	559,166	710,462
Cloud services	1,208,258	1,251,314
Rent	227,046	79,074
Fees and commissions	110,980	58,995
Advertising	478,661	368,220
Travel and transportation	30,689	16,712
Insurance	42,630	39,614
Postal and telecommunications	45,460	28,933
Donations	88,168	38,511
Receivables adjustments	-	-
Banking fees	39,786	28,064
Services provided by third parties	4,586,856	1,951,976
Other expenses	300,729	75,371
Total operational costs	33,653,086	21,284,865

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
for 3 months 2022, ended 31 March 2022
(all the amounts shall be expressed in RON, unless otherwise provided)

NOTA 7. FINANCIAL INCOME AND EXPENDITURE

FINANCIAL INCOME	31 mar 2022	31 mar 2021
Interest income	9,181	34,722
Investments income	(565,677)	325,243
Revenue from securities valuation	(1,735,839)	886,048
Total	(2,292,335)	1,246,512
FINANCIAL EXPENDITURE	31 mar 2022	31 mar 2021
Banking interest	234,186	145,135
Factoring costs	1,115	8,526
Bonds interest	572,006	687,361
Leasing	14,269	118,538
Net income / expenses difference of course	(5,903)	30,575
Total	815,673	990,136

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022

(all the amounts shall be expressed in RON, unless otherwise provided)

NOTA 8. TITLES

In equivalence

	<u>31 mar 2022</u>	<u>31 dec 2021</u>
E-Learning Company	1,834,573	1,996,840
Total	<u>1,834,573</u>	<u>1,996,840</u>

The E-Learning Company

In January 2021, the Bittnet Group acquired a 23% stake in E-Learning Company. The investment was accounted for using the equity method from the date it became an associate, respectively in January 2021. In applying the equity method, the financial information was used on January 31, 2021.

Other financial assets (securities) at fair value

	<u>31 mar 2022</u>	<u>31 dec 2021</u>
Softbinator Technologies	10,747,498	15,270,453
Safetech Innovations	-	632,560
Arctic Stream	14,530	1,791,601
Chromosome Dynamics	225,270	225,270
Total	<u>10,987,298</u>	<u>17,919,885</u>

Softbinator Technologies

In December 2020, the Bittnet Group acquired a 25% stake in Softbinator Technologies for 8,127,500 lei, the group's first investment in a software development company. At the time of December 2020, Bittnet held 22,500 shares, with a nominal value of 1 lei per share, out of a total subscribed and paid-up capital of 90,000 lei, divided into 90,000 shares. Softbinator is a product development company specializing in the design, development and marketing of software products mainly in the fields of Fintech, MedTech / HealthTech and EdTech for clients in Europe, North America and Asia. Softbinator is involved in the development of software products, web and mobile solutions for the digitization of the education process, lifestyle / medical and health, e-payments, e-commerce, online gaming and in 2020 ticked unexplored areas in previous years through digital banking (including crypto), Internet of Things (IoT), Automotive and explored a new vertical in e-commerce expertise: marketplaces.

Softbinator Technologies stock listing (trading symbol: CODE)

At the end of August 2021, Softbinator Technologies announced the intention to list the Bucharest Stock Exchange on the AeRO market (under the CODE trading symbol) until the end of the year. Prior to the listing, Softbinator Technologies also announced its intention to make a private placement to raise capital for the company's international expansion. In order to carry out the private placement of sale of shares, as well as in order to be admitted to trading on the AeRO-SMT market of BVB for CODE shares, several pre-placement operations were carried out, as follows:

a) Convening the General Meeting of Shareholders The shareholders of Softbinator Technologies decided on 09.09.2021 to reduce the nominal value of a Softbinator Technologies share from the value of 1 lei per instrument to the value of 0.1 lei per instrument. As a result of the reduction / split of the nominal value, new shares were issued for the benefit of existing shareholders in a ratio of 9:1 (nine new shares issued for

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022

(all the amounts shall be expressed in RON, unless otherwise provided)

each share held on the date of registration). As a result of this operation, Bittnet Systems owned a number of 225,000 shares, representing 25% of the 900,000 shares issued by Softbinator Technologies.

b) Increase of the share capital with the amount of 10,000 lei The shareholders of Softbinator Technologies decided on 09.09.2021 to increase the share capital by the amount of 10,000 lei, the amount that was allocated from the undistributed profit, by issuing a number of 100,000 shares with a nominal value of 0.1 lei. The shares were allocated in proportion to the holdings of each of the shareholders. As a result of the increase, the share capital of Softbinator Technologies reached a subscribed and paid-up capital of 100,000 lei, divided into 1,000,000 shares, and the shareholder Bittnet Systems was allocated 25,000 new shares free of charge, with a nominal value of 0,1 lei per share and a total nominal value of 2,500 lei. As a result of this operation, Bittnet Systems owned a number of 250,000 shares, representing 25% of the total shares of Softbinator Technologies.

c) Assignment of newly issued shares as treasury shares The shareholders of Softbinator Technologies unanimously decided on 09.09.2021 that a percentage of 10% of the total number of shares held, ie all shares issued and allocated following the capital increase operation described above, should be made available to Softbinator Technologies as treasury shares for the purpose of trading in the private placement. In this regard, the shareholder of Bittnet Systems sold to the treasury of Softbinator Technologies a number of 25,000 CODE shares at a nominal value of 0.1 lei per share, for which it received the equivalent value of 2,500 lei - the nominal value. Following this operation, Bittnet Systems held a number of 225,000 shares, representing 22.5% of the total shares of Softbinator Technologies, and 25% of the voting and profit-sharing rights, taking into account that the treasury shares have no voting rights and no can receive dividends.

d) Transfer of Softbinator shares At the end of September 2021, prior to the private placement, Bittnet Systems sold a total of 36,020 Softbinator Technologies shares to various individuals and legal entities. The transfer of the shares was made at the maximum investment price (60 lei per share), outside the capital market mechanisms and represents 3.602% of the share capital and shares of Softbinator Technologies. Following these transactions, Bittnet Systems collected the amount of 2.16 million lei. As a result of these operations, Bittnet holds a number of 188,980 shares, representing 18.898% of the total shares of Softbinator Technologies.

e) Carrying out private placement Within the private placement, a total of 100,000 CODE shares, respectively 10% of the company's share capital (shares ceded by Softbinator Technologies shareholders to the company's treasury as described above), were offered to investors at a price between 50 and 60 lei per action. The placement was attended by 143 individual and professional investors, and the offer was closed early on the first day, amid an oversubscription of almost 8 times, the investors placing orders with a total value of over 49 million lei. The final price per share was set at the maximum value of the offer, ie 60 lei. Following the processing of the transaction, Softbinator attracted a cash contribution of 6 million lei. Softbinator shares will be available for trading in the next period under the CODE symbol.

Key Reasons - Reclassifying Softbinator Technologies Investment from Equity Equity Securities at Fair Value through Profit and Loss Account Following the operations described above, the Bittnet Group reconsidered the investment in Softbinator Technologies on 30.09.2021. Thus, taking into account the fact that at the time of Bittnet's investment in Softbinator, one of the essential elements of the operational construction was Bittnet's access to the capital market, to support Softbinator's development projects, and this differentiating element disappeared with direct access. Softbinator to the capital market by carrying out the private placement with CODE shares, the management of the Group decided to give up the involvement in the management of the Softbinator Technologies activity. Otherwise, the 188,980 shares

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022

(all the amounts shall be expressed in RON, unless otherwise provided)

held on 30.09.2021, representing 18.898% of the capital of Softbinator Technologies, will remain in the Group's portfolio for sale. Also, in December 2021, the Group formally relinquished its position on the Board of Directors of Softbinator Technologies through Ivylon Management. The Group analyzed from the perspective of the provisions of IAS 28, art. 6 a) -e), the criteria for exercising significant influence over the entities in which there is a holding, concluding the following: - The Group no longer holds a position on the Board of Directors of Softbinator Technologies; - The Group does not participate in the strategic decision-making process for Softbinator Technologies (including those related to dividend distributions); - There are no significant transactions between the Group and Softbinator Technologies; - The Group and Softbinator Technologies do not have joint management; - There is no essential technical information exchanged between the Group and Softbinator Technologies. As such, the Group's management has concluded that it no longer exercises and does not intend to exercise a significant influence over Softbinator Technologies as of 30.09.2021. As such, the Group decided to reclassify the remaining holding in Softbinator Technologies as at 30.09.2021 from securities held in equity at fair value. On 31.03.2022, the investment in Softbinator Technologies shares was revalued using the average trading price on the AeRO market from 31.03.2022.

Safetech Innovations

Fair value

In October 2020, the Group invested in a private placement offer organized in order to increase the share capital of the cybersecurity company Safetech Innovations SA. The investment was made within the mandate that the executive management has according to the Articles of Incorporation. During the offer, Bittnet subscribed the maximum possible amount, respectively RON 2,500,000 for all the 625,000 Safetech shares offered (20% of the share capital). Bittnet's intention was to make a significant investment by entering Safetech's shareholding in a percentage relevant to Bittnet and to treat the investment in the same way as the others in the Group.

Following the over-subscription of Safetech's offer, Bittnet was informed by the Intermediary (SSIF Tradeville) that it had been allocated a number of 72,895 SAFE shares, representing 2.3326% of Safetech's share capital, which the value of the Bittnet investment to amount to RON 291,580.00.

In January 2021, Safetech shares were listed on the AeRO-SMT market under the SAFE ticker, at a price approximately 400% higher than that the one from private placement offer.

On 31.12.2021, the investment in Safetech Innovations shares was revalued using the average trading price on the AeRO market as of 31.12.2021.

During the first quarter of 2022, the Group has sold the remaining stakeholding in Safetech Innovations, so that at the end of the reporting period the Group no longer held SAFE shares.

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022

(all the amounts shall be expressed in RON, unless otherwise provided)

Arctic Stream

Fair value

In June 2021, the Group's management invested in the private placement offer of Arctic Stream (AST) shares on the AeRO-SMT market. Arctic Stream is an IT integrator focused on the technologies of the American manufacturer Cisco Systems, competitor of Dendrio Solutions on this market segment.

The investment was made within the mandate that the executive management has according to the Articles of Incorporation and was submitted for ratification to the shareholders in the EGMS of September 7, 2021.

In the private placement, Bittnet subscribed the amount of RON 10 million, the intention being to make a significant investment by entering the Arctic Stream shareholding in a relevant percentage. Following the early closing of the placement on the first day and the massive oversubscription, the offer intermediary informed Bittnet that a total of 74,632 AST shares had been allocated to it, which represents 1.78% of the share capital and 1.78% of the rights of vote. The value of the investment in Arctic Stream shares amounted to RON 1,865,800.

On 29.07.2021, the shares of AST were admitted on the AeRO market at a price approximately 40% higher than that of the private placement. On 31.03.2022, the investment in Arctic Stream shares was revalued using the average trading price on the AeRO market as of 31.03.2022.

Chromosome Dynamics

In August 2021, the Group's management decided to invest, with Impetum Grup, in a company that aims to develop IT and artificial intelligence solutions for clients in the agribusiness industry, according to the partnership announced at the end of 2019. Bittnet's contribution in Chromosome Dynamics shares offer in amount to RON 150,000 for 1.5% of shares and 1.5% of CHRD voting rights, including issue premiums.

Subsequently, Chromosome Dynamics carried out a private placement of shares in order to 'go public' on the AeRO-SMT market of Bucharest Stock Exchange and the offer was closed in advance. Within the offer, 111,929 CHRD shares were issued, with a total value of RON 3,357,870, the price being 30 ron/share. The offer reached the success, being supplemented with another RON 882,870. The date of the transaction was 04.10.2021, the settlement taking place on 06.10.2021 through the Central Depository system. Following the private placement, Bittnet Systems owns 1.22% of the shares and voting rights of CHRD.

Chromosome Dynamics achieved a turnover of almost RON 1 million in 2020 and RON 2.5 million on June 30, 2021; The company develops solutions geared to the needs of farmers in order to process processes. CHRD is the developer of the AGROBAZAR APP application, which models the consulting-sale-purchase process in agribusiness, representing a one stop shop for Romanian farmers. The application provides farmers with consulting in agribusiness, agricultural machinery and inputs - seeds, pesticides, fertilizers so

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022

(all the amounts shall be expressed in RON, unless otherwise provided)

far with over 10,000 active users. Under the investment agreement, the Bittnet Group will have the first option to deliver technology projects with CHRD.

Both on 31.12.2021 and on 31.03.2022, the investment in CHRD shares was revalued by reference to the price per share of the private placement offer.

CHRD shares were traded on 05.05.2022 on BVB's AeRO-SMT market. Once listed, the investment in CHRD will be revalued quarterly as a mark-to-market investment ("held for sale") by reference to the average daily trading price at the end of the reporting period.

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022
(all the amounts shall be expressed in RON, unless otherwise provided)

NOTA 9. CAPITAL AND RESERVES

Details regarding the Group's capital reserves are presented in the following table:

	<u>31 mar 2022</u>	<u>31 dec 2021</u>
Share capital	48,043,690	48,043,690
Share premium	14,542,953	14,542,953
Other equity items	(18,749,672)	(19,082,504)
Legal reserves	1,293,894	1,114,139
Retained earnings	7,942,492	(5,599,890)
Current comprehensive result	(3,838,848)	13,722,136
Total	<u>49,234,508</u>	<u>52,740,525</u>

a) Share capital

The share capital of the parent company Bittnet Systems includes only ordinary shares with a nominal value of RON 0.1/share.

The shareholding structure at each reference date is presented in the table below:

Shareholder	<u>31 mar 2022</u>	<u>31 dec 2021</u>
Mihai Logofatu	12.04%	12.05%
Cristian Logofatu	11.12%	11.13%
Other	76.84%	76.82%
Total	<u>100%</u>	<u>100%</u>

Increase in share capital by incorporating reserves - July 2021

The share capital was increased by incorporating the reserves and share premiums according to EGMS Resolution no. 2 of April 2021 and the Decision of the Board of Directors of 06.07.2021 and free shares were distributed: 6 new shares for every 10 shares held on the record date - 21 July 2021. The operation was completed in July 2021 with the registration in shareholders' trading accounts of 148,336,965 shares.

Additionally, the share capital of Bittnet Systems was increased by issuing a number of shares free of charge for the benefit of shareholders on the record date (1 free share for every 10 held), according to the EGMS Resolution no. 3 of April 2021 and the BoD Decision of 06.07.2021.

For the shares referred to in point 2, shareholders on the record date - 21 July 2021 - were able to choose online, during 26 July - 3 August, to leave these new shares available for the Company to be used in the incentive programs for key persons, approved in the previous years by the GMS, in this case collecting a cash distribution equal to the nominal value of the newly issued shares.

During the opting period, the Issuer received a number of 325 options, from 325 shareholders representing a total of 167,393,769 voting rights, i.e. 67.70% of the total voting rights of the Issuer. Of the options expressed, 210 shareholders representing 162,611,497 voting rights, i.e. 65.77% of the total voting rights opted for OPTION 1 - i.e. for cash distribution and leaving the newly issued shares at the disposal of the company. The company distributed to these shareholders the amount of RON 1,626,109.60 starting with 4 August, through the Central Depository system, having as payment agent Banca Transilvania.

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022

(all the amounts shall be expressed in RON, unless otherwise provided)

The Central Depository allocated, on 10.09.2021, the shares in Section 1 for the shareholders on the record date who opted otherwise than for the cash distribution or did not take any steps during the opting period. At the same time, the Central Depository registered in the Issuer's account a number of 16,261,096 treasury shares.

Regarding the share capital increase operations presented above, the Board of Directors (BoD) issued a Decision on 06.07.2021 to keep the allocation ratio of 7 free shares for 10 held on the record date according to the mandate granted of the General Meeting of Shareholders of 27.04.2021 by EGMS Resolutions no. 2 and 3. This decision was necessary considering that at the date of convening the GMS, the coordinates of the capital increase with the free shares were applied to the entire share capital registered at that time in the records of the Trade Register (ReCom) - RON 28,260,994.30, respectively 282,609,943 shares - values resulting from the processing of capital increase operations decided in August 2020 and December 2020 and registered with ReCom since the end of 2020.

To this end, in order not to disadvantage any of the shareholders on the record date (21 July 2021), or the creditors of the two capital increase operations, so that they received the rights resulting from holding BNET shares on the date of payment of new shares, the Board of Directors decided, according to the mandate granted by the two EGMS Resolutions, to keep the increase ratio established by the EGMS, but applied for the number of shares registered with ASF and the Central Depository (247,228,275 shares). The decision of the Board of Directors of 06.07.2021 was issued according to the mandate granted to the Board of Directors by shareholders in the EGMS of 27.04.2021.

Therefore, in the first phase, a number of 148,336,965 shares were issued (according to the EGMS Resolution no. 2/27.04.2021) which were distributed to all shareholders on the record date, 21 July 2021, in proportion to the shareholdings and in the ratio that was decided by the EGMS (of 6 free shares for 10 held on the record date). The difference of 21,229,001 shares, up to the total of 169,565,966 shares, was distributed to the persons entitled by the Central Depository, considering that ASF issued the registration certificate.

The same principle was applied to the capital increase decided by the Extraordinary General Meeting of 27.04.2021, in point 3, with the mention that those creditors who are shareholders on the record date, 21 July 2021, will be able to choose to leave the newly issued share at the disposal of the Company and to receive in return its nominal value. As such, in the first phase, a number of 24,722,828 shares will be issued, proportionally with the shareholdings of all shareholders on the record date and according to the allocation ratio established by the EGMS: 1 free share for every 10 shares, for which there was a possibility to choose cash distribution of the nominal value or allocation by the Depository. The difference of 3,538,167 shares, to the total of 28,260,995 shares, resulting from the application of the increase ratio for the entire capital registered in the Trade Register records, was allocated to persons entitled by the Central Depository considering that FSA has issued the registration certificate.

FSA registered the operation and the Central Depository processed it, the subscribed and paid-up share capital of the issuer registered with Trade Register, FSA and Central Depository records being RON 48,043,690.40, split into 480,436,904 BNET shares, each with a nominal value of RON 0.1.

Share capital increase, new contributions - February - March 2021

Between January and March 2021, the offer period took place within the capital increase with new cash contributions approved by the EGMS Resolution no. 4 of April 29, 2020. Thus, in Phase 1 – carried out between January 27 and February 25, 2021 - 17,359,142 new shares (95.49% of the total) were subscribed at the price of RON 0.59 per share. The price provided in the offer (composed of the nominal value plus the share premium) was determined according to the EGMS Resolution and the formula approved by it for the share premium: $[(\text{average trading price last 30 days}) / 1.2] - 0.1$.

The shares remaining unsubscribed during the offer period were offered for subscription within a private placement (Phase 2) which was closed in advance due to the high interest and the small number of shares (819,408 shares remaining unsubscribed after Phase 1). According to the law, the price from the private placement was higher than the price from Phase 1, respectively RON 0.60 per share.

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022

(all the amounts shall be expressed in RON, unless otherwise provided)

During the two phases of the capital increase operation, the 18,178,550 new shares were subscribed, i.e. 100% of the issue, the Company raising a financing amounting to RON 10,733,538.58. Following the subscriptions of the 18,178,550 new shares were allocated in the subscribers' accounts a number of allocation rights (symbol BNETR09) equal to the total number of subscribed shares. The allocation rights entered into Trading within the BVB Regulated Market starting with April 10, 2021 after receiving the CIIF and their registration in the FSA records as financial instruments.

Following this operation, the subscribed and paid-in share capital of the Company was increased by the amount of RON 1,817,855 (related to the nominal value of the newly issued shares). The amount of RON 8,915,683.58 (resulting from the decrease of the amount of the increase of the share capital from the entire value of the attracted financing) was registered as issue premiums and will be available, in the future, as reserves. The Company's intention is to also include the issue premiums in the share capital and to issue and allocate free shares in future capitalization operations.

Following the registration of new values of the share capital increased at ReCom, FSA issued the new certificate of registration of financial instruments, and the operation was completed by loading the newly issued shares for trading on 26.03.2021.

Share capital increase by debt conversion - December 2020

Based on the mandate conferred by the EGMS Resolutions no. 4 and no. 5 of 26.11.2020, the Board of Directors signed two share sale-purchase agreements, for the acquisition of shareholdings in Equatorial Gaming and Softbinator Technologies, respectively, and established the settlement share between cash and BNET shares for each of the 2 transactions. Thus, the total amount of investments in the 2 companies is RON 11,073,500, and the Board of Directors decided to pay the amount of RON 4,423,500 in cash and RON 6,650,000 in BNET shares. Following these operations, Bittnet Systems holds a 98.99% stake in Equatorial Gaming and 25% in Softbinator.

In December 2020, the Board of Directors of Bittnet Systems decided to increase the share capital based on the mandate established by the GMS and the provisions of the Articles of Incorporation in the amount of RON 6,650,000 on the receivables held on the Company by the members/shareholders of the two companies, Equatorial Gaming and Softbinator Technologies.

During the capital increase operation, the shareholders of the 2 companies will be allocated shares to the Issuer as follows:

- Daniel Berteanu – co-founder of Equatorial Gaming – 2,717,647 BNET shares
- Diana Rosetka – co-founder of Equatorial Gaming – 736,722 BNET shares
- Daniel Ilinca - founder of Softbinator - 5,784,061 BNET shares
- Andrei Pitis - Softbinator shareholder - 1,446,015 BNET shares

Following the issuance of the 10,684,445 BNET shares, the share capital increased by RON 1,068,444.50, and the equity increased by RON 5,581,555.50 – capital premiums (the difference between the value of the receivable and the value by which the share capital is increased). The value of RON 6.65 million, the receivable held by the sellers on the Issuer, was certified by the extrajudicial accounting expertise report dated 17.12.2020.

The number of newly issued shares was determined in accordance with the provisions of Article 210(2) of Law no. 31/1990 and Articles 87-88 of Law no. 24/2017 on issuers of financial instruments and market operations and Article 174 of the FSA Regulation no. 5/2018. Thus, the number of shares was determined by dividing the receivable at the price of RON 0.6224/share - the weighted average price of BNET shares during the period 13.12.2019 – 16.12.2020. The capital increase is made by raising the right of preference and based on the Decision of the Board of Directors no. 10 of 17.12.2020 and in accordance with the attributions delegated by the EGMS by Decisions no. 3 of 25.04.2018 and no. 1 of 17.12.2018, so that the newly issued shares can be allocated to the holders of the receivable (shareholders of the acquired companies).

The settlement of the 2 transactions through a mix of BNET shares and cash was approved in the EGMS of 26.11.2020, and the reason behind this model was to align the interests of the shareholders of the 2 companies in which Bittnet became a shareholder with Bittnet shareholders. Thus, the shares released as a result of the share capital increase through the conversion of the debt that was uncontested, liquid, and enforceable against the company will be

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022
(all the amounts shall be expressed in RON, unless otherwise provided)

registered by the Central Depository in the global accounts of the 4 beneficiaries – proportionally to the value of the uncontested, liquid, and enforceable debt they hold over the Company.

FSA issued the registration certificate for this operation and the Central Depository processed the allocation of BNET shares to the entitled persons on 21.10.2021.

Share capital increase, new contributions - February - April 2020

According to the EGMS Resolution no. 2 of April 24, 2019, the increase of the share capital with a number of 11,046,641 common shares offered for subscription to shareholders was approved. The increase operation started in the 1st quarter of 2020, with the trading of BNETR07 preference rights and then with the phase of the public subscription offer based on the preference right.

Thus, in phase I (public offer) – carried out between March 5 and April 3, 2020 - 5,046,928 new shares were subscribed (45.69% of the total) at the price of RON 0.83 per share, of a number of 189 natural and legal person investors.

In Phase II (private placement) the Company offered for sale the 5,999,713 shares remaining unsubscribed at the unit price of RON 0.831. The subscriptions were made by 51 natural and legal person investors.

Share capital increase by incorporating reserves - July 2020

During the two stages of the increase operation, all 11,046,641 shares offered were subscribed, representing 100% of the total issue of new shares, the Company attracting a cash contribution of RON 9,174,711.74.

The share capital was increased by incorporating the reserves and share premiums according to the EGMS Resolution no. 2 of April 2020 and free shares were distributed: 7 new shares for every 10 shares held on the record date. The operation was completed in July 2020.

Additionally, the share capital of Bittnet Systems was increased by issuing a number of 11 million shares free of charge for the benefit of shareholders on the record date (1 free share for every 10 held), according to EGMS Resolution no. 3 of April 2020. Shareholders could choose online to make these new shares available to the Company for use in stock options plans for key persons approved by the GMS, in which case they receive a cash distribution equal to the nominal value of the new share. Following this operation, the Central Depository charged into the company's account a number of 9.2 million shares (registered as treasury shares), and to the accounts of shareholders who did not opt for cash distribution – 2 million shares, according to their option.

b) Share premium

Share premiums were established on the occasion of capital increases and can be used to increase the share capital.

c) Legal reserve

According to Law no. 31/1990, every year, at least 5% of the profit is taken over for the formation of the reserve fund, until it reaches at least one fifth of the share capital. Reserves representing fiscal facilities cannot be distributed with implications on the recalculation of the income tax.

d) Other equity items

Essential reasoning – SOP recognition and measurement

The Group assessed from an IFRS 2 perspective whether payment transactions based on shares with employees (SOP) are settled in cash or by issuing shares.

The Group settles the transactions by issuing to the holders options a number of shares that are equivalent (at market price) to the financial value of the option. The capital increase is made by raising the preference right and based on the Director's Decision.

As a result, although at an intermediate stage the "debt" regarding the settlement of the SOP is assessed, the economic substance of the transaction is that they are settled in shares. Therefore, the Group recognized SOP

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022

(all the amounts shall be expressed in RON, unless otherwise provided)

transactions as settled in shares, and recognized and assessed the services received in the Statement of comprehensive income and the corresponding increase directly in equity.

Transactions with employees and other employees providing similar services were valued at the fair value of the capital instruments provided, as it was usually not possible to reliably estimate the fair value of the services received.

Significant estimates - SOP measurement

The measurement of the fair value at the date of granting (according to IFRS 2) - the date of approval by the EGMS of each plan – is performed using the Black - Scholes model, using as values for the model:

- spot price on the GMS date, i.e. adjusted average price for splits at t-1
- strike price (at the reference date) according to each plan
- volatility, according to the analysis of the daily price of BNET shares, adjusted for splits
- risk-free interest rate, i.e. ROBOR 12M published at t-1
- the number of shares of the company from the date of granting
- dilution percentage in the Stock Option Plan

The full value of each plan is recognized in costs over the course of each plan.

SOP 2018

By the BoD Decision no. 7/18.08.2020 the Board of Directors of the Company decided to increase the share capital by issuing a number of 24,697,223 ordinary, registered, dematerialized shares, of equal value and with a nominal value of RON 0.1 each, on account of the receivable held on the Company by the stock option holders ("Key Persons") in compliance with the Incentive Plan for Key People - Stock Option Plan approved by EGMS Resolution no. 12 of 25.04.2018 and stock option contracts and subsequent addenda - hereinafter referred to as "SOP 2018" or "SOP".

The share capital thus increased by the amount of RON 2,469,722.30, and the equity increased additionally by the amount of RON 11,758,361.13 – share premiums. According to the incentive plan - SOP2018 - a total number of 47 persons received the right, without having the obligation, to purchase from the Company shares at a price per share equivalent to a capitalization of the Company as of 31.12.2017. During the period 10.05.2020 - 10.06.2020 (maturity of the stock option), the key persons exercised the stock option, the Company having the alternative to purchase again shares on the market or to operate a capital increase by issuing to the holders of stock options a number of shares to equate (at market price) the financial value of the stock option for stock option holders. The value of the option, which is the receivable from the Company, was certified by the extrajudicial accounting expertise report dated 17.08.2020.

The number of newly issued shares was determined in accordance with the provisions of Article 210(2) of Law no. 31/1990 and Articles 87-88 of Law no. 24/2017 on issuers of financial instruments and market operations and Article 174 of the FSA Regulation no. 5/2018. Thus, the number of shares was determined by dividing the receivable at the price of RON 0.5761/share - the weighted average price of BNET shares during the period 14 August 2019 – 14 August 2020.

The capital increase is made by raising the right of preference and based on the Decision of the Board of Directors no. 7 of 18.08.2020 and in accordance with the attributions delegated by the EGMS by Decisions no. 3 of 25.04.2018 and no. 1 of 17.12.2018, so that the newly issued shares can be allocated to the holders of the receivable (as a result of SOP2018).

The operation was completed by the issuance of the registration certificate by the Financial Supervisory Authority and the Central Depository allocated the shares issued in the global accounts of the key persons on 21.10.2021.

SOP 2019

By the EGMS Resolution no. 4 of 24.04.2019 Bittnet shareholders voted a stock option plan for key persons with a duration of 2 years, amounting to a maximum of 5% of the total shares of the Company. The maturity of the options was in May-June 2021, so that the key persons included in SOP2019 had the right (not the obligation) to purchase shares of the Issuer at the price related to the stock market capitalization from 31.12.2018.

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022

(all the amounts shall be expressed in RON, unless otherwise provided)

29 key persons exercised the option to purchase a total number of 9,072,821 BNET shares at the price of RON 0.224084401 per share. Following this operation, the Company registered a receivable in relation to the key persons in the amount of RON 2,033,080. The number of options exercised (9,072,821) represented 3.6698% of the Company's capital at the date of implementation.

The method of settling the incentive program with options in this way is a first and could be implemented due to the treasury shares registered in the Company's account in December 2020. These shares were acquired by the Issuer following the implementation of the EGMS Resolution no. 3 of April 2020 and the special option procedure carried out last summer. Through this, the shareholders on the record date of 21 July 2020 could choose to receive the nominal value of the newly issued share and thus leave the share at the disposal of the Issuer for the implementation of the incentive programs for the key persons.

SOP 2020A

By EGMS Resolution no. 3 dated January 29, 2020 the following were voted:

- Including in the key persons' stock options plan, with a number of options equal to 0.5% of the total number of shares, annually, of each member of the Board of Directors, with the exception of the Chairman of the Board of Directors; and
- Including in the key persons' stock options plan, with a number of options equal to 0.75% of the total number of shares, annually, of the Board of Directors, with the exception of the Chairman of the Board of Directors.

SOP 2020B

Additionally, by EGMS Resolution no. 5 dated April 29, 2020, the Company's shareholders voted a stock option plan for key persons with a duration of 2 years, amounting to a maximum of 5% of the Company's total shares.

SOP 2021

By EGMS Resolution no. 5 dated April 27, 2021, the Company's shareholders voted a stock option plan for key persons with a duration of 2 years, amounting to a maximum of 5% of the Company's total shares

SOP 2022

By Decision no. 7 of the EGMS of April 20, 2022, the shareholders voted a stock option plan for key persons with a duration of 2 years, amounting to a maximum of 5% of the total shares.

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022
(all the amounts shall be expressed in RON, unless otherwise provided)

NOTA 10. BONDS

Details of bond issues loans are presented in the following table:

	31 mar 2022	31 dec 2021
BNET23	4.675.943	4,661,869
BNET23A	9.590.349	9,540,798
BNET23C	9.916.667	9,841,667
Interest	425.790	872,768
Total:	24.608.750	24,917,101
Long term	14.266.292	24,044,334
Short term (interest)	10.342.457	872,768

The Group conducted in 2016, 2017 and 2018 offers of bonds with maturities in 2019, 2022 and 2023, obtaining from the capital market a 'binding' financing of over 30 million RON (all issues are listed on BVB).

BNET23

On July 4, 2018, Bittnet successfully completed the third private placement of corporate bonds in the history of the Company. Bittnet attracted an investment of 4.7 million RON in the private offer, which took place between June 26 and July 4. Most of the borrowed capital was used to acquire a 51% stake of Elian Solutions and 25% of Equatorial Gaming, and the rest is used as working capital.

BNET23 bonds have a nominal value of RON 100, a maturity of 5 years and an annual interest rate of 9%, payable quarterly. The placement was subscribed by 32 natural persons, 1 legal person and 3 open-end investment funds. Due to the increased interest, the offer was closed 9 days before the end of the subscription period, which was initially set for 13 July.

In accordance with the resolution of the Extraordinary General Meeting of Shareholders of 25 April 2018, BNET23 bonds entered trading in November 2018 on the AeRO ATS-Bonds market operated by the Bucharest Stock Exchange, under the BNET23 symbol.

BNET23A

On December 27, 2018, Bittnet successfully closed the fourth private placement of corporate bonds and the second in 2018. Following the private placement of BNET23A, the Group obtained the amount of RON 9,703,700 from 20 natural person investors and one legal person investor. Within the process, 21 transactions amounting to a total of 97,037 registered, dematerialized, corporate, non-convertible, unsecured bonds with a nominal value of 100 RON/bond were settled through BVB mechanisms (POFBX market).

BNET23A bonds have a maturity of 5 years, a fixed interest rate of 9% per year, payable semi-annually and the allocation date was 28 December 2018. The Group used the amounts attracted within the BNET23A issue to finance the IT&C business transfer from Crescendo International SRL and its integration into the Bittnet Group structure, as approved by the Extraordinary General Meeting of Shareholders on 17 December 2018 and the investment contract described in the Current Report 22/15.10.2018.

The BNET23A bond issue entered into trading on the ATS-Bond market of the Bucharest Stock Exchange on February 18, 2019.

BNET23C

Between 14 and 18 January 2019, the company carried out a private investment by which it carried out the 5th bond issuance - BNET23C, by which it attracted subscriptions in the total amount of RON 10,000,000, which represents 100,000 bonds, the maximum value of the BNET23C issue, in accordance with the Decision of the Sole Administrator and the Tender Document and according to the Extraordinary General Meeting of Shareholders Decision of 25 April

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022
(all the amounts shall be expressed in RON, unless otherwise provided)

2018. BNET23C bonds are nominative, dematerialized, corporate, non-convertible and unsecured. BNET23C bonds have a nominal value of RON 100, a maturity of 4 years, and a fixed interest of 9% per year, payable semi-annually. The syndicate of intermediation for sale consisted of S.S.I.F. Tradeville S.A. and S.S.I.F. Goldring S.A. The attracted investment is used to finance the working capital and current activity of the Bittnet Group. BNET23C bonds are tradable on the AeRO market starting with 17 April 2019.

NOTA 11. BANK LOANS

Details regarding bank loans are presented in the following table:

	<u>31 mar 2022</u>	<u>31 dec 2021</u>
ProCredit credite TL	3,756,477	4,400,494
ProCredit linie 4.5 mill.	4,500,000	4,449,384
ING linie 2 mil.	940,689	1,080,099
Raiffeisen (IMM invest)	233,400	280,080
Total, din care:	9,430,567	10,210,058
Long term	5,590,875	6,327,926
Short term	3,839,692	3,882,132

The group's bank lending structure is mainly made up of revolving overdrafts aimed at short-term financing of specific projects. On the date hereof, the group has loans and overdrafts to finance the current activity worth around RON 11 million at ProCredit Bank, ING Bank and Unicredit Bank and a non-cash limit for the issuance of letters of bank guarantee of RON 2.3 million at Banca Transilvania.

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022
(all the amounts shall be expressed in RON, unless otherwise provided)

NOTA 12. INFORMATION REGARDING THE RELATION WITH RELATED PARTIES

Details on balances and related party transactions are set out below.

The remuneration paid to Key Management (identified in Note 1) is as follows:

	3 luni incheiate la:	
	31 mar 2022	31 mar 2021
Management	223,976	171,279
SOP	156,532	169,264
Total	380,508	340,543

Datorii	31 mar 2022	31 dec 2021
Key person	96,490	62,093
Total	96,490	62,093

Creante si imprumuturi	31 mar 2022	31 dec 2021
E-Learning Company – imprumut principal	240,000	240,000
E-Learning Company – dobanda	27,222	21,304
Total	267,222	261,304

The loan
for E-
Learning

Company was granted for a period of 3 years, with an interest rate of 10% per year. The loan was repaid in full (principal+interest) in May 2022.

NOTA 13. COMMITMENTS

ONE Cotroceni Park lease signing

The Bittnet group had its place of business in 26 Timisoara Blvd., the Plaza Romania Offices, as of 2017. The space was contracted in 2017, when the need for an office space was assessed, taking into account the situation at the time and the growth prospects. These prospects were accelerated with the investments in Elian Solutions, as well as in the IT&C activity of Crescendo International, both materialized during 2018. On this occasion, the entire space available in the building where the activity took place was occupied.

At the beginning of 2019, the office area was expanded by adding a space for temporary storage of goods, as well as an area dedicated to meetings with customers. At the end of Q1/2019, the Elian Solutions team and the ex-Crescendo team were transferred to the new spaces.

The EGMS of 26.11.2020 requested the approval of the shareholders for the extension of the office space, explaining:

- the current need of the company for expansion in the context of the positive evolution in the period 2019-2020 and of the growth prospects communicated to the shareholders for the period 2021-2024;
- the need to accommodate new teams resulting from planned and announced acquisitions. Some of these M&A transactions were subject to the approval of the EGMS of 26.11.2020 (Equatorial, IT Prepared, The E-Learning Company, Softbinator) and another part is subject to the approval of the EGMS of 07.09.2021 (ISEC

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022
(all the amounts shall be expressed in RON, unless otherwise provided)

Associates, Computer Learning Center, TopTech, Nenos Software, Nonlinear), and to support this growth from "almost simple to double", the space for work, meeting and collaboration of teams, currently mostly virtual, must be completed with a tangible solution, in the field.

At the same time, the hybrid work models, which have appeared recently in all fields, have shown that the element of surprise must be taken into account. Obviously, with the new regulations on the workspace (distance between people), but also with the transactions proposed to the General Meeting, the need for an extended office space will become much greater than at present.

According to the mandate given by the GMS to the Chief Executive Officer during the meeting of 26.11.2020, the Bittnet group negotiated with the suppliers present in the market an optimal solution for the current development plans.

Following the negotiations with the various representatives, a new lease agreement was signed with ONE United Properties for a space in the ONE Cotroceni Park (OCP) building, for a period of 5 years and starting on 1.02.2022. The previous lease, concluded with Bucharest Mall Development and Management SRL, was unilaterally terminated by Bittnet Systems starting with 31.05.2021.

The new office space of Bittnet and the group member companies will be in the OCP building which is located next to the Academia Militara subway station. This project is part of the Central-West office area, the most dynamic business pool in the Capital at present and the second largest in the market, after the North-Central area. With over 280,000 sq m of Class A offices delivered in the last three years and enjoying a special anchor, namely the Polytechnic University, the Central-West area is the new IT hub of Bucharest.

ONE Cotroceni Park is designed for LEED Platinum certification, focusing on sustainable operation and minimal environmental impact. This project will also be WELL certified, with the aim of increasing the health and well-being of its occupants and, therefore, people's productivity, involvement and retention at the workplace.

Both the location and all the defining elements of the OCP project are in line with the organizational culture of our group, respectively they meet the specific requirements for attracting and retaining top human resources, a basic pillar for the specific business of the group and the IT industry in general.

Phase 1 of the project, which includes the future Bittnet offices, will be delivered in Q1/2022, which is why a temporary lease was signed during the transition period, with a duration of 9 months, the newly-established place of business being located in Bucharest, 8-10 Tudor Arghezi Street, Unimed Building, 1st floor, Space TOF112, District 2.

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for 3 months 2022, ended 31 March 2022
(all the amounts shall be expressed in RON, unless otherwise provided)

NOTA 14. EVENTS AFTER THE REPORTING PERIOD

I. M&A – TopTech

At the end of March, Bittnet informed the Market about signing of the M&A contract for the full takeover of TOPTECH SRL, an integrator of IT&C products and services with relevant businesses in Transylvania. The transaction price is RON 12 million and will be partially paid in cash (7 million), and the rest settled in BNET shares. TopTech's operations will be integrated into Dendrio Solutions SRL, part of the Bittnet Group's Technology Division. The transaction is subject to the approval of the Competition Council.

II. M&A – 2net Computer

At the beginning of April, the Issuer informed investors about signing of the investment agreement for the full acquisition of 2Net Computer SRL, an integrator of IT&C products and services with a focus on the Brasov region and central Transylvania. 2Net Computer's operations will be integrated into Dendrio Solutions SRL, thus consolidating the "Cloud & Infrastructure" business segment in the Transylvania region. The estimated price of the transaction will take into account the value of the acquired company (6.3 million lei) and will be adjusted, according to the customs for this type of transactions, with the company's status (net debt) and non-core business assets. In addition to the transaction price, Dendrio will also take over the loan granted by the old shareholders, amounting to 1.2 million lei. As in the case of TopTech, the transaction is subject to the approval of the Competition Council.

III. O&E GMS – 20 April 2022

In addition to the traditional items of a GMS, such as the approval of the individual and consolidated financial statements for 2021, the annual report or the discharge of the Board, for 2022 Bittnet's management proposed to shareholders a market operation similar to that of previous years, in which they will later have to choose between the allocation of free shares vs. a cash distribution "dividend" with a return of approx. 4.8%, as well as a public offering for the issuance of preferred shares (with a minimum yield of 7.5% - non-voting shares but priority dividend bearers). The issuer intends to carry out this operation in May-June 2022. The coordinates of the issue of preferred shares here. Also, in this GMS, two plans for the redemption of joint BNET shares were approved: one long-term and one punctual for the period May-July 2022. The second was a proposal from some shareholders interested in the smooth running of the company and on long-term, but failed to raise 5% of the voting rights to ensure the introduction of the item on the agenda for debate and voting. In the spirit of openness and continuous dialogue with all shareholders of the Company, the management of Bittnet has chosen to include the respective item on the agenda, leaving to the choice of shareholders whether or not to approve the redemption operation. The Board of Directors introduced this point, even if the option to repurchase shares from the Market at a price of approximately 0.34 lei / share does not necessarily represent the option of the Board at this time. Therefore, the members of the Board of Directors abstained from voting on this point. The Board's explanation can be found in the substantiation note for point 3. All items on the OGMS and EGMS agendas were approved by the shareholders, except for item 8 EGMS where the quorum required for this item to be put to the vote was not met.