

Semestrial Report - 1st Semester, 2022

Semestrial report according to Regulation No. 5/2018 on issuers and operations with securities

For the financial year	01.01.2022 - 30.06.2022
Report date	26 August 2022
Name of the company	BITTNET SYSTEMS S.A.
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Telephone/fax	021.527.16.00 / 021.527.16.98
Sole Registration Code	21181848
Trade Register registration number	J40/3752/2007
The regulated market on which the issued securities are traded	BVB Regulated Market
Paid-in and subscribed share capital	RON 52,848,059.50
The main characteristics of securities issued by the company	528,480,595* shares with face value RON 0.1 – BNET symbol 47,000 bonds with face value of RON 100 – BNET23 symbol 97,037 bonds with face value RON 100 – BNET23A symbol 100,000 bonds with face value RON 100 – BNET23C symbol

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Message from CEO

In the first 6 months of the current year, our Group recorded consolidated revenues amounting to RON 70 million, an increase of over 45% compared to the same period of the previous year. A similar evolution registered the gross margin, which reaches the value of RON 17.9 million, with RON 10.5 million more than in 2021. The operational result is more than triple – RON 3.6 million in H1 22 vs RON 1 million in H1 21.

The Financial Result complements the Operational Result, and its analysis in H1 2022 deserves two separate paragraphs. Thus, the investment activity brought a financial profit of RON 6.2 million and a cash inflow of RON 7.8 million within Bittnet Systems SA (individual result of the parent company). In addition, the companies in the group paid dividends to the parent company in the amount of RON 1.6 million lei. Instead, in the consolidation process, the auditors eliminate these operations (treating the sale of Dendrio shares as a capital increase). Of course, in the expenses part, all items are kept, regardless of the fact that they are revaluations or actual sales. Thus, although the Financial Profit is RON 5 million, at the consolidated level a loss of RON 3.8 million is recorded (mainly from the revaluation of the securities held). As a result, the gross consolidated result of the period is negative – a loss of RON 680 thousand versus a gross profit of RON 2 million in H1 2022.

The analysis of operating results: For both our historical data and that of many other listed issuers in the IT sector, most of the revenue (and therefore almost all of the profit) is made in the last quarter of the year, the first half being always the weak one. In this context, the performance recorded in the first six months of 2022 is one that gives us confidence - we have already achieved 44% of revenues at the consolidated level (compared to 31% in 2021 and other previous years).

From an annualized perspective ("last 12 months"), consolidated revenues exceed RON 134 million (versus 100 million in the previous period), increasing with more than RON 11 million in gross margin (up to RON 31.7 million), and operating profit is more than 3X higher, recording a value of RON 9.9 million. Gross profit exceeds the amount of RON 13.4 million compared to RON 2.2 million for the comparison period. **In other words, this year's profit target can be achieved if the second half of this year only shows an evolution similar to the last year, without the growth seen in the first half in H2.**

In the Technology Division, the focus on services has led to an increase in the share of this type of revenue in the division's total – from 17% in 2020, to 23% in 2021 and 36% in 2022, which is driving gross margin growth faster than sales growth. As overall selling and administrative expenses grew at a slower pace than gross margin, the division's operating profit almost tripled compared to H1 2021.

The transformation of sales processes in the Education Division in previous years is bearing significant yield: results are consistent and predictable, with increasing conversion rates and no noticeable barriers in new business generation. Concerning Bittnet Training, beside projects that extend until H2 2023, we also ran an education program for over 600 learners in Microsoft cloud technologies, in the last 6 weeks of the semester, during which we "ran in" the new premises.

Thus, the education division has once again become a growth engine, under known conditions of profitability - 60% gross margin. So, if we look only at Bittnet Training - we **recorded in H1 2022 revenues and margins equal to ALL of 2021**, which reinforces the budget assumed for this year. For the second half of the year the focus will be on generating business volume at the right gross margin for all companies in the division, so that gross margin fully offsets the increases in HR costs - returning to profitability in the 20-30% operating profit range.

In fact, looking at H1 2022, all significant companies in the Group are recording solid growth, with good margins also for the newly joined companies - Fort (rebranding to GRX) and Optimizor - even in conditions of accelerated human resource cost growth.

This continued pressure on the human resources cost is the defining feature of 2022. Across the industry (and indeed other industries) we are going through a period of readjustment of services and selling prices to reflect the new cost reality. The good news is that we have not experienced any customer issues.

Throughout the development of our company we have constantly faced a difficult labour market for the employer, which has made us always pay attention to the whole human resources area. While in 2015, at a total staff size of 20 people, we already had a position dedicated to continuous recruitment and ensuring a desirable working environment, today we are on the one hand reaping the benefits of years of dedication to building a healthy company culture, and on the other hand we continuously allocate significant attention, efforts and resources for this purpose.

As an evidence, in H1 2022 a new colleague joined us every 5 days (we recruited 59 new colleagues), running continuous processes in parallel with 5 senior recruiters and an agency. Our CTRL+N retraining programme has also started to generate results in terms of attracting juniors. We aim to have 10% of new colleagues coming from this retraining programme in the next 12 months.

Coupled with a staff turnover rate of 12% (which is less than half the industry average), the fact that 40% of accepted candidates are team referrals supports the claim that team members enjoy being part of the Bittnet team, and are confident to recommend us to friends.

After recruitment, the next step is continuous development – “learning and development”: several open course programmes to increase human, soft, interpersonal skills open to all team members.

We have built and implemented a sales academy - a deficient area in most companies. Likewise, the internal management academy is the infrastructure that will allow us to operate a EUR 100 million business in 2 years. We have a continuous focus on professionalizing the top and middle management level in each company. At top management level we follow a specialisation including external coaching.

The financial situation of the group is very good, the net book assets (equity) reaching the highest value in the history of the group: almost RON 60 million. The cash position at the end of June is of RON 19 million, and total bank debts have decreased by RON 1.3 million, following the trajectory we have always followed – to have sources of financing available for as long as possible. Thus, if last year $\pm 70\%$ of the bank debt was short-term, now short-term bank debt represents only $\pm 40\%$ of bank debt. Supplier debts are covered by customer receivables at 110% - in line with historical values.

Our solid financial situation positions us very well to continue both the changes of the internal sales generation and delivery processes, but also the expansion through acquisitions (M&As). In particular, this topic is one of interest, which we believe deserves to continue to have priority in increasing the group's footprint, especially given the success of previous M&A projects.

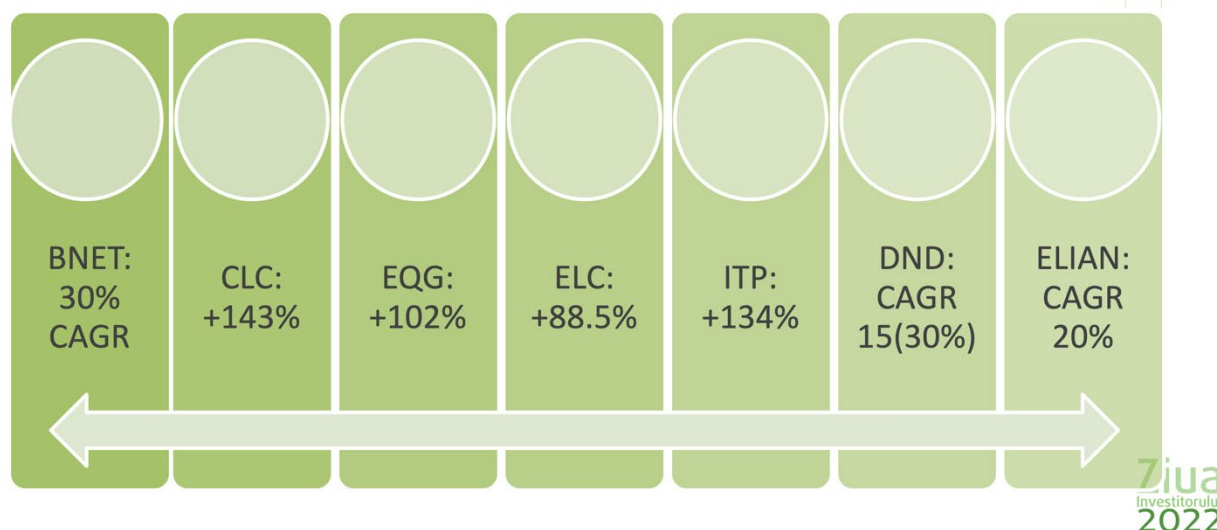
We are a group of companies that offer an increasing range of IT&C services to clients, both in the classical manner (project based), in a recurring manner ('recurring revenue') and in the paradigm of '[managed services](#)'. One of the strategic development pillars, affirmed since the listing on the AeRO market in 2015, has been the continuous development of the portfolio of offered products and services.

Between the end of H1 and the time of publication of this report, we obtained the approval from the Competition Council to close the transactions with TopTech and 2Net Computers, which join Dendrio in the “Cloud & Infrastructure” business segment. Even if during 2022 we will consolidate, according to IFRS rules only the revenues of these companies from September (or October) to December, they add a revenue generating capacity of about RON 80 million per year.

We expect that these companies will also record significant growth in 2023, as was the case for the other companies that joined the group. I think it is a good opportunity to remind you of a slide that I showed to the participants at Investor Day 2022, a slide that shows why we are confident in the growth model both organically and through M&A: these are either the annual organic growth rates of the companies from the group (in the

case of Bittnet Training, Dendrio or Elian), and the evolution in the first year of the figures of the companies that joined the group:

The SnowBall: Acquire, Operate, Grow



We continue to work on M&A projects of significant size and will announce them as soon as we have signed the investment contracts.

Even if the results produced by each of the companies in which we invest will not have regular values and evolutions year after year, even if some of the investments are in moments of growth, and need more of our expertise to grow businesses, and others are in moments of maturity that produce cashflow that can be optimized and used to expand the group, **we strongly believe that their diversification significantly increases our chances to prosper from these investments.**

This resilience is not an accident, but on the contrary, it is a natural result of the way we have searched and chose the investments in other companies, and of the vision we follow related to the construction of the entire group. I warmly suggest you take the time to read through the chapter "[Bittnet's Vision](#)".

The resilience described above is the first mandatory step in the journey towards anti-fragility. Each of the decisions we make follows the construction of an anti-fragile group, so that we have the strongest force – time – by our side ("*Time is the friend of the wonderful business, the enemy of the mediocre one.*") The second element is the combination of 'good operations' and capital management capability, as described 'the secret for success' in the book '[The outsiders – 8 outstanding CEOs](#)'.

Related to the management of our investments in other companies, we received questions from shareholders about holdings in the companies Safetech, Arctic Stream and Softbinator. In the case of Safetech, we have invested since the private placement,

considering this field (cybersecurity) as one of great interest, and we enjoyed the performance of SAFE shares on the stock market, gradually reducing the percentage of ownership. In 2021, however, we laid the foundations of our own cybersecurity pillar within the technology division – which is known today as FORT. It is therefore reasonable to allocate the amounts resulting from Safetech's investment in the development of Fort, taking into account the significantly more advantageous multiples that we obtained in this case.

As for Arctic Stream and Softbinator, we are still as heavily invested as when these companies were listed. We believe that both have a great growth potential, we trust the management and understand the industry they belong to and how the business operates. During Q1 2022, we partially liquidated these holdings to finance the payment of tranche 2 of our transaction with GRX, and then we have re-established our initial positions so that we can continue to enjoy the growth potential of both organisations.

This highlights the main reason why we allocate capital in listed entities, namely liquidity. Basically, we managed to partially liquidate our participation in these companies in a few days and subsequently re-acquired the respective shares, with a neutral/positive impact on our financial situation (cash flow from investment activity - sales minus purchases of listed instruments - has a positive value of RON 315 thousand).

Especially in the case of Softbinator, Daniel does an extraordinary job, very cleverly putting to work the money raised from the private placement, and the mechanisms that the capital markets offer, making M&A transactions that have significantly strengthened the company, taking it to a new level of organization in less than two years after we became shareholders. We foresee a very bright future for this company.

We believe that one of the elements that is not easily observable from outside the organization is the special **operational capacity**. The fact that our initial, core activity is IT training, and the complexity specific to the successful organization of this business, have forced us to build operational systems and operational specific to companies much larger in terms of business, with increased complexity. On the other hand, once we overcome this impediment, we currently enjoy a competitive advantage that is hard to match from this point of view.

As usual, we encourage you to send us feedback about this report, the company's evolution or future plans. Thus, we are waiting for you to contact us at investors@bittnet.ro.

Mihai Logofătu, CEO

General information about the Issuer

Bittnet was founded in 2007 by Mihai and Cristian Logofătu, both of whom held management positions within the company. From the beginning, Bittnet has 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, etc.

In February 2009, the company changed its legal status in the joint stock company (SA), following the increase of 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 Căpățină, who is still an important shareholder of the company.

Since March 2015, Bittnet is 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. From that moment on, Bittnet actively uses the capital market mechanisms to grow and develop its business, successfully placing five bond issues in 2016, 2017, 2019 (twice) and 2020. In almost four years since its listing on the Bucharest Stock Exchange, Bittnet has raised more than 10 million EUR using capital market financing mechanisms (corporate bonds, capitalisation of profits, capital increases, etc.), part of the capital being used to fund M&A activities. Since 2016, the company has followed the patented success model of Banca Transilvania, distributing to the shareholders the profits accumulated in the form of free shares and thus, constantly increasing its share capital over the years.

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

The company's founders have always believed that the IT market in Romania should be strengthened. That is why, during 2017, the company identified the first opportunity to act in this direction and followed the acquisition of GECAD NET from entrepreneur Radu Georgescu. The acquisition process and the subsequent takeover were a success because, at the end of 2017, GECAD ended the year on profit for the first time in 3 years. In the first half of 2019, GECAD Net was renamed Dendrio Solutions. Today, 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.

In April 2019, Bittnet adopted the group structure and restructured the business, which is currently based on two key vectors, represented by the two divisions:

- **Education**, which consists of the IT training segment where Bittnet Training is the market leader.
- **Technology**, which is focused on IT integration services, offering integration solutions previously offered by both Bittnet and Dendrio. 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.

Shortly after announcing the new structure, Bittnet made two new acquisitions - a majority stake in the company that provides ERP solutions, Elia Solutions, and a significant stake in the game-based learning company, Equatorial Gaming. Following the acquisition, Equatorial's activities were integrated into the "Education" division, while Elia supplemented the offer of IT integration services by adding ERP solutions to the group's portfolio. 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.

During 2020 two new minority investments joined the group: Softbinator (our first entry into the software development market) and The eLearning Company - which complements very well the services provided by Bittnet Training and Equatorial within the education division.

During 2021, we closed 7 new company acquisitions - IT Prepared (now rebranded Optimizor)- a company providing IT support services on a managed services basis, Nenox & Nonlinear - two software development companies with a focus on the Artificial Intelligence and Machine Learning area, ISEC and GRX (now rebranded Fort) which are the cybersecurity pillar and Computer Learning Center - a training company with a focus on the cybersecurity area.

At present, the Bittnet Group has two key divisions, **Education** and **Technology**. The company has over 250 employees and collaborators, who work for one of the 11 companies included in the group.

Group structure in Q1

Following repeated procurement processes in recent years, Bittnet Group has undergone a major development – from a single company operating in two key areas (Education and Technology) to a group of companies that includes several organizations operating in the same two areas of interest. During 2020 and the beginning of 2021 we negotiated and implemented new M&A investments. Thus, the current structure of the A Group at 30 of June consisted of 12 companies.

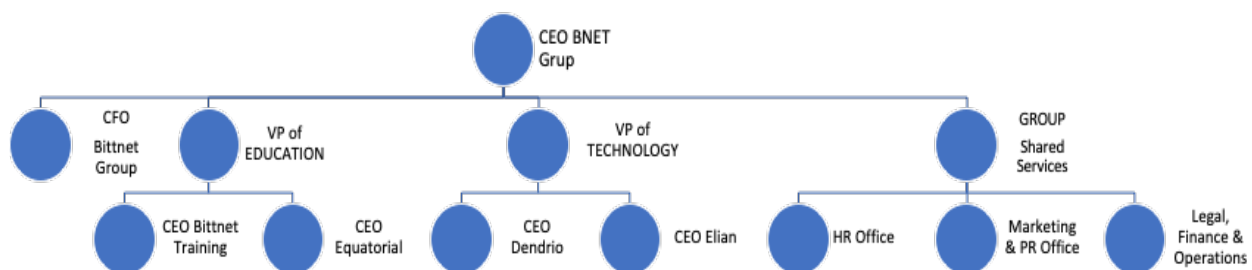
The Education Division

- Bittnet Training
- Computer Learning Center
- Equatorial Gaming & Equatorial Training
- The eLearning Company

The Technology Division

- Dendrio Solutions
- Elian Solutions
- FORT (Global Resolution Experts & GRX Advisory)
- ISEC Associates (will be held by GRX)
- Nenos Software & Nonlinear
- Optimizor (ITPrepared)

Group companies are managed operationally in a very decentralized manner. At group level there are only a few centralized functions, according to the organizational chart below. The senior management of the group, together with the persons acting as “Vice President” follow the governance efforts of the companies in the group, providing both support and ‘conflict settlement’. Both the executive management and the strategic development committee aim to comply with the values of the group at all levels. From an operational point of view, the activities of The E-Learning Company are managed separately.



I. Bittnet Systems S.A.

- Shareholder structure: from a legal point of view, we are talking about Bittnet Systems SA – the "parent" company listed on the stock exchange, keeps for the time being and in the future the IT training activity - Mihai Logofatu CEO
- Responsible for the training activity: Cristina Ratiu, CEO of Bittnet Training
- Number of employees/collaborators: 25
- Revenues in H1 2022: RON 7.6 million vs RON 6.26 million in H1 2021
- Gross Profit H1 2022: RON 4.68 million vs RON 2.36 million in H1 2021
- Website: www.bittnet.ro

Bittnet Training has a leadership position on the Romanian IT training market, with a team of almost 20 years of experience and the largest team of trainers in Romania. Over the years, the company has delivered more than 50 000 hours of IT training and currently has one of the most comprehensive and up-to-date curricula in the EEC region. The trainings provided by Bittnet allow the access of experts to technology 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.

Bittnet is certified as an authorized training centre by the largest technology manufacturers worldwide, offering the largest training portfolio on the Romanian market: Cisco, Microsoft, Amazon Web Services, Oracle, ITIL, Citrix, etc. Through partnerships at European level (LLPA – Association of the most important training centres in the world), Global Knowledge, etc. Bittnet offers a portfolio of over 1,000 official courses titles, thus expanding the portfolio of vendors with names such as VMWare, IBM, RedHat, 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 need). Each student receives access to dedicated equipment, official curriculum, as well as online and offline exams.

Being able to deliver courses in both Romanian and English, the company operates in a strategic partnership with Global Knowledge, the world leader of the IT training market. Since 2016, Bittnet has joined the largest association of Microsoft training partners – LLPA.

II. Computer Learning Center SRL (CUI 26065887)

- Shareholding structure: 100% Bittnet Systems SA,
- Responsible for the training activity: Cristina Ratiu, CEO of Bittnet Training
- Number of employees/collaborators: the team is operationally integrated in the Bittnet Training activity
- Revenues in H1 2022: RON 3,9 million
- Gross loss H1 2022: RON 240 thousand
- Website: www.clcr.ro,

Computer Learning Center has over 18 years of experience in education; providing information security training, auditing and assessment systems, as well as the respective infrastructure and technologies for IT service management.

The Computer Learning Center (CLC) course offer is closely related to most information protection solutions available on the world market and it is aimed at both managers and IT security professionals.

It is an official partner of CompTia, EC Council, BSI, ITIL and Prince2.

The Education Division. – Human Skills `

III. EQUATORIAL Gaming SA (Sole Registration Code 30582237)

- Shareholding structure: 99.9989% Bittnet Systems SA, the rest – Dan Berteanu (one of the founders)
- Responsible: Diana Rosetka, CEO
- Number of employees/collaborators: 15
- Revenues in H1 2022: RON 530 thousand versus RON 1.2 million in H1 2021
- Gross loss H1 2022: RON 665 thousand, versus RON 29 thousand in H1 2021
- Website: www.equatorial.ro, www.vrunners.com

Equatorial, a *game-based learning* company is specialized in providing transformer training and consulting programs at individual, team and organizational level in Romania and abroad. Since 2015, the company has invented, developed and launched on the Romanian market alternative virtual reality games (Alternate Reality Game) for corporations such as VRUNNERS, Bona Fides Agency, White Hat and Oligopoly. These games aim to support the educational process, to increase the degree of involvement and to stimulate behavioural changes of employees. The games are available 24/7, on multiple devices and are used for learning projects, conferences, team building events and Master academic programs. It fully owns Equatorial Training, whose figures are consolidated in the values above.

IV. The e-Learning Company (CUI 30760571):

- Entrepreneurial company that offers eLearning courses for companies.
- Shareholding structure: 23% Bittnet Systems S.A.,
- Responsible: Adrian Calin, CEO
- Number of employees/collaborators: 10
- Revenues in H1 2022: RON 1.49 million vs. RON 926 thousand in Q1 2021
- Gross Profit H1 2022: RON 364 thousand, versus RON 239 thousand in H1 2021
- Website: www.e-learningcompany.ro

The e-Learning Company has in its portfolio of solutions and various products that are different from other offers of the competition by an approach focused on the ultimate goal of maximizing the investment of customers in our solutions and they should be willing to pay recurring in the long term. These products and services are:

iKnowLMS Platform:

It is the most used Learning Management System in Romania in private companies (approximately 50,000 employees in the private sector are enrolled in this platform which is an exclusive B2B application). In addition to the usual functionalities of a Learning Management System, iKnowLMS also enables easy testing (very useful in highly regulated industries where regular employee testing is mandatory).

Docentix.com

As a long-term strategy, we believe that the B2C area for the online courses we have available will grow greatly, so we have created Docentix.com, a website that addresses individual users who can subscribe to online courses in Romanian by paying a monthly and/or annual subscription that includes a number of courses or the entire collection of courses. We are looking for the best options and experimenting with various solutions for an experience as good as possible for the end user. For example, we implemented Stripe as a payment method as soon as it was available in Romania.

E-Learning

Skillsoft online courses in Romanian. From the very beginning The e-Learning Company has benefited from the partnership with Skillsoft, the largest provider of e-learning solutions in the world, which has provided access to a library of over 6,000 courses. The strategy of The e-Learning Company was clear, offering localized content from the Skillsoft library so that at the moment we have over 500 titles available in Romanian from Skillsoft and our own English learning courses (24 modules covering all levels from A1 to C2. Therefore, the catalogue is structured on several collections that are offered as an integrated solution and cover topics such as:

- Personal and professional development;
- Communication;
- Sales and negotiation;
- Customer service;
- Marketing
- Human Resources
- Project Management;
- Microsoft Office;
- Management and leadership;
- Finance;
- English
- Strategy for digital transformation;

The Technology Division – Cloud & Infrastructure

V. Dendrio Solutions Srl (Sole Identification Code 11973883):

- Shareholding structure: 88% Bittnet Systems SA, 12% Agista Investments SA
- Responsible: Cristian Herghelegiu, CEO
- Number of employees/collaborators: 97
- Revenues in H1 2022: RON 40.5 million versus RON 38.1 million in H1 2021
- Gross loss H1 2022: RON 2 million versus RON 451 thousand in H1 2021
- Website: www.dendrio.com

Dendrio is the only multi-cloud integrator in Romania, a certified partner at the highest standards by Cisco, Microsoft, Google, Amazon Web Services, but also many other vendors, is the company that brings together IT&C integration activities, provided by Bittnet, Gecad Net and Crescendo.

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. Starting with December 31, 2019, Dendrio also includes the IT&C division of Crescendo International SRL, which was acquired in Q4 2019.

The integrator business means that we offer our clients the solutions and services they need, starting with the initial analysis, design, implementation and testing phase that results in turnkey projects for companies with different IT needs:

- Network infrastructure (routing, switching, Wi-Fi, optimisation, consulting);
- Cybersecurity (network security, data center security, user device security, IPS, Advanced Malware Protection, Next Generation Firewall, email and Web security);
- Network management (monitoring and alerting, centralized management, traffic analysis);

- Migration and cloud services (private, public and hybrid cloud, transition from one version to another, migration and relocation step by step);
- Virtualisation and data center (computing, storage, networking, backup, virtualization platforms, VDI);
- Employee mobility, including Bring Your Own Device - BYOD;
- Centralised communications and collaboration (IP telephony, DECT phones, instant messaging, online presence, web conferencing);
- Video conferencing, including telepresence (for desktops, administration rooms, conference rooms, smartphones, tablets, notebooks and workstations, integration with smartboards);
- Software licenses (Microsoft, Adobe, Cisco, Bitdefender, Dell, VMware, Veeam);
- Maintenance and support services

VI. IT Prepared SRL (CUI 35456175) – rebranded Optimizor.

- Shareholding structure: 50.2 % Bittnet SA, the rest divided equally between the founders
- Responsible: Alexandru Ana, CEO
- Number of employees/collaborators: 20
- Revenues in H1 2022: RON 3 million versus RON 1.36 million in H1 2021
- Gross Profit H1 2022: RON 1.5 million vs. RON 263 thousand in H1 2021
- Website: www.optimizor.ro

It is a managed services company established in 2016, owned 50.2% by Bittnet, providing IT support services mainly to the US market. Optimizor's client portfolio is based primarily on American companies, but also contains a number of local clients. Managed services represent the outsourcing of responsibility for maintaining and anticipating the need for a range of processes and functions that aim to improve operations and reduce expenses within a company.

VII. Elian Solutions SRL (SOLE REGISTRATION CODE: 23037351)

- Shareholding structure: 51.0082% Bittnet SA, the rest divided equally between the founders
- Responsible: Iulian Motoi, CEO
- Number of employees/collaborators: 39
- Revenues in H1 2022: RON 5.49 million versus RON 2.73 million in H1 2021
- Gross Profit H1 2022: RON 859 thousand versus RON 191 thousand in H1 2021
- Website: www.elian-solutions.ro

Eliau Solutions is a company founded in 2008 that specializes in providing implementation services for ERP (Enterprise Resource Planning) solutions, Microsoft Dynamics NAV. Since 2016 Eliau holds a Microsoft Gold certification. The solution implemented by Eliau allows companies to know the situation of stocks, receivables and debts, to be able to predict, inter alia, cash-flow, to track production, cost centres and more. In 2019, for the first time, Eliau started providing services and solutions for export – for customers in 5 countries: Bulgaria, Croatia, Germany, Switzerland and the USA.

Besides the Business Central 365 solution, in the Eliau portfolio, there are 4 applications that are licensed independently:

- Invoice OCR application with an extremely simple definition of new invoice templates - scanning documents and sending them to NAV
- Scanning Fixed Assets Inventory Application
- Applied ClokIn/ClokOut-used by manufacturing companies to record the time spent by the people in the production hall, on orders and technological flows
- Retail application, which supports retail sale in the fast food area.

All new implementations of Eliau are based on the Microsoft Dynamics 365 Business Central platform – localizing the Eliau team solution allowing us to be first movers with this new cloud-based technological wave.

5 new colleagues joined the Eliau team in H1 (3 as a result of staff turnover and 2 as a result of the expansion of support services – those generating recurring incomes).

VIII. Fort – entity made by GRX (CUI 34836770), GRX Advisory (CUI 43813325) and ISEC Associates (CUI 15845143)

- Shareholding structure: 60% Bittnet, 14% financial investors, the rest divided between founders and management
- Responsible: Vladimir Ghita, CEO
- Number of employees/collaborators: 28
- Revenues in H1 2022: 7.9 million RON versus 4.9 million RON in H1 2021
- Gross Profit H1 2022: RON 2.67 million versus RON 1.65 million H1 2021
- Website: www.fort.ro

GRX was founded in 2015 by Romanian entrepreneurs Cristian Săndescu and Mihnea Călin with the mission to provide professional and customized cybersecurity services to large clients in Romania and the European Union, continuously growing thanks to its expertise in state-of-the-art technologies and DevSecOps practices.

ISEC was founded in 2003, as a spin-off from the Professional Services Provision Department of Provision Group. ISEC facilitated the certification of the first information security management systems in the country and delivered the first IT security audits and penetration testing in RO. ISACA Romania was founded, starting the core of what is today one of the most dynamic local associations.. The ISEC team monitors technology and regulatory trends to update its portfolio of services and raise the standard of excellence in the field.

The list of common services provided by Fort includes IT compliance audits for various standards of regulatory institutions such as the Financial Supervisory Authority, the Authority for the Digitalization of Romania, the National Bank of Romania or the National Cyber Security Incident Response Centre - CERT-RO, penetration testing services for web applications and IT infrastructure for clients in Romania and the European Union and design, implementation and maintenance services for IT management and information security systems.

At the same time, we offer design services for IT controls and IT security systems to be implemented, architectural design services for IT infrastructure technical solutions for the integration of financial IT systems in the Public Cloud and architectural design services for IT infrastructure technical solutions for the implementation of IT systems in the IT sector, but without the participation in the implementation of such solutions to the final beneficiaries.

IX. Nenos & Nonlinear (CUI 29612482 and 37758005)

- Shareholding structure: 69% Bittnet, the rest the founder
- Responsible: Toader Toporau - CEO
- Number of employees/collaborators: 13
- Revenues in H1 2022: 2.24 million RON versus 1.3 million RON in H1 2021
- Gross Profit H1 2022: RON 520 thousand versus RON 413 thousand in H1 2021

Website: www.nenos.ro

Nenos Software SRL is a custom software development company focusing on Artificial Intelligence and Machine Learning (AI/ML). **Nonlinear SRL** is a SPV established to access European funding, 60% owned by Bittnet.

The activity is a product based software development, focused on the development of a platform for digitization and automation of processes in small and medium companies using low code/no code and machine learning technologies.

The services offered by the Nenos team are:

- AI consulting

Nenos Software consultants thoroughly analyze clients' requirements to help them develop an optimal AI (artificial intelligence) strategy. By understanding the challenges and opportunities that the organization is facing, they will advise on the most effective implementation of AI-powered software.

- ML modelling

The Nenos Software team can deliver full-cycle turnkey AI software development or assist the in-house team at any stage of the project. Skilled data specialists will use data processing frameworks and develop machine learning algorithms that are optimal for solving business challenges.

- Training

For NENOS clients who use the solutions developed based on ML (machine learning) and AI (artificial intelligence), customized training sessions are organized to ensure that they have all the necessary knowledge about the artificial intelligence solutions they will work with and the skills to operate them.

- Custom software development

It offers a very good software development experience tailored to the needs of customers.

Key events recap in H1 2022

THE EDUCATION DIVISION

	30 June 2022	30 June 2021	30 June 2020	Evolution 22 vs 21
Revenues from contracts with clients	11,377,470	5,764,787	7,263,315	97%
Cost of sales	7,234,801	2,591,948	2,697,753	179%
Cost of sale of goods/materials	264.250	88.146	694.985	200%
Hours-Man	6,970,550	2,503,802	2,002,768	178%
Gross margin	4,142,669	3,172,838	4,565,562	31%
Sale/distribution expenses	2,095,460	1,569,127	789.835	33%
Hours-Man	1,625,210	1,062,103	610.325	53%
Advertisement	470.251	507.024	179.509	-7%
Administrative expenses	3,081,304	2,299,785	1,541,622	34%
Hours-Man	821.525	943.768	638.040	-6%
Amortization	790.190	748.671	263.516	6%
Other third party services	706.940	345.564	196.842	104%
Other expenditures	537.206	97.157	274.852	453%
Operating profit	-540.551	-430.848	2,487,044	-25%

For the Education Division, the second quarter of 2022 was as prolific as the first one, leading to an extremely promising mid-year result. Basically, talking in terms of projects won (Closed WON), we count at the end of June contracts signed with a value equal to those concluded during the entire 2021. Thus we are confident that a 50% increase in turnover in 2022 vs. 2021, which seemed at the beginning of the year an extremely ambitious target, has now become an achievable one.

For the second half of the year the focus will be on generating business volume at the right gross margin for all companies in the division, so that gross margin fully offsets the increases in HR costs – returning to profitability in the 20-30% operating profit range. The sales team is already informing customers about the new price list that will come into effect from 1 September.

In particular, in H1 the profitability of the education division was affected by the running of an 'inherited' contract from Computer Learning Center – a state tender with fixed prices in RON, for which foreign suppliers changed the delivery prices, generating that the whole contract had a gross margin of a little over zero (2% is uncharacteristic as a business for the education division). Instead, this contract had to be delivered during this period, so it took up some of the team's operational type. This type of contract will never be concluded again.

Also in the first semester – in partnership with Microsoft Romania – we managed to implement the first large-scale project in the public sector, more than 600 trainees from different government agencies and ministries participated in cloud and cybersecurity courses. The success of this first project gave us the possibility to initiate discussions for a continuation of the approach in FY 2022-2023, as well as to increase the number of participants and therefore the budget.

We still do not see any major impact of the war in Ukraine, the increasing financial imbalances in the Romanian economy or the recent fiscal changes projected in our work. We obviously remain alert, and are carefully monitoring areas that show signs of a potential slowdown. You can find on the following pages the activities and projects of each team that is part of the Education Division.

Marketing & Product management

Tech Skills

In the first half of 2022 the Marketing and Product management team focused on brand awareness campaigns and lead generation through content development. Through continuous work to keep the content on the website up to date, ongoing SEO and Pay-Per-Click promotion, dedicated product campaigns for the vendors in the portfolio, the team generated 220 MQL (Marketing Qualified Leads) of which 105 (48%) have been qualified and were transferred to the Business Development team. We attracted over 86,000 visits to Bittnet Training project websites and over 5,208,000 paid online ad impressions.

We have developed and updated IT Evolve Toolkit and Security Learning Toolkit respectively by adding new information, which aim to provide relevant and topical content to the Buyer Personas targeted by our teams.

In the Product Management area, two new vendors were added to the Bittnet Training portfolio in the first half of the year: EC-Council and UiPath, and through collaboration with LLPA we are delivering UiPath courses according to a global class schedule. In the relationship with the Cisco vendor we have gained the ability to create customized content for our customers and these courses can be also sold to other companies. At the same time, due to good results we have acquired the advantage of settling payments through Cisco Learning Credits, credits that some of our customers have, and in the past we were not able to use them as payment instruments.

We continue to be part of programs where Microsoft and AWS vendors co-fund cloud courses for partners and strategic customers.

We held 5 webinars through which we attracted 350 registrations for topics related to Cisco, Microsoft, Amazon Web Services, Certified Ethical Hacker and DevOps, as well as a webinar for L&D specialists of ANIS (Association of Software Industry Employers) member companies where Bittnet Training is the strategic education partner.

Human Skills

We conducted the national quantitative study in collaboration with Reveal Marketing Research, which was conducted online from 25.03.2022 until 05.04.2022 on a representative sample for the universe of team leaders in technology departments, aged 25+, from urban areas. The sample size was of 317 respondents. We have started communicating the study through press releases and social media posts and have prepared 3 e-books based on the study findings to be launched this summer.

We are preparing an event to communicate and discuss the results of the study with the community of L&D specialists in IT companies, which will take place in October.

We continued to validate the insights from the study with the opinions of IT&C leaders in our Podcast series with: Ionuț Scarlat (Orange Poland), Yugo Neurmoni (CIO Council Romania), Daniel Rusen (Microsoft Romania)

We have launched a new tagline, aligned to the Group's brand identity: Your Leadership Skills. Upgraded. and started work on the new website.

Demand generation

In H1 2022 the Demand Generation team qualified a total of 175 leads to the Business Development Team: 70 were generated by the Outbound Team and the remaining 105 as a result of campaigns run by the Marketing Team.

Compared to the same period of the previous year, 2.5 times more SQL (Sales Qualified Leads) were generated in H1 2022, confirming the improvement and refinement of internal processes, and therefore of the conversion rates.

Based on the needs analysis conducted in the targeted IT&C industries, additional business opportunities were identified. As a result, the Demand Generation team increased the number of Sales Development Representatives by 3 additional colleagues to meet the professional development needs in the market. At the same time 3 colleagues were promoted from the Business Development team to junior BDM positions. In this way, the "career path" strategy conceived mid last year is starting to show achievements and results.

All these measures will contribute to achieving the growth targets - both in the number of leads and their quality - set at the beginning of the year in the Demand Generation team.

Bittnet Training in H1 2022

In the first half of 2022 the sales team succeeded to win and complete projects worth around EUR 2.5 million– an increase of 270% compared to the same period in 2021. This figure was achieved by working with a total of 74 clients, 18% more than the same period last year.

The EU-funded projects we have been working on for the past two years have entered the implementation phase and therefore our work has started to be counted in figures. In these projects alone we have trained more than 600 trainees. In addition, we have been actively working to develop opportunities for the development of educational projects in the public sector and the last months of the second quarter have rewarded our efforts.

Over the next period, we will focus on improving and refining the Buyer's Journey process, as well as continuing to develop the educational projects we have in the pipeline. In addition, after completing the customization of the sales module in the CRM, we will focus on implementing and testing it, which will help us increase the productivity and accuracy of the data we analyze in sales sessions.

Equatorial Gaming in H1 2022

In H1 2022 the sales team generated sales amounting to EUR 270,000 in the form of projects running throughout the year. Those already implemented have resulted in 120 training sessions and over 560 participants.

In H1, the Equatorial team added another dedicated member from the group's Marketing department to benefit from all the expertise needed for a successful repositioning. Team building continued by bringing in a new colleague in the delivery project management area, with a background in L&D in IT companies.

We supported and amplified the marketing actions by directly promoting the results of the study and the new product in discussions with more than 50 IT customers.

The e-Learning Company in H1 2022

The first six months of 2022 brought the third growth in the last three years. In the first 6 months, turnover was EUR 329K (up 10% compared to the same period in 2021) and profit increased to EUR 82K.

We also implemented in this first half of the year our first contracts with two public authorities. The value of these is insignificant in relation to turnover, but this is precisely why we believe that we have opened a new market that can grow significantly in the medium and long term.

The plan for the next 6 months includes:

- Rebranding and a new website;
- Release of a new version of the LMS platform;
- Regional scaling up into at least three other CEE countries;
- Localisation of resources in three languages;
- Organizing an event to celebrate 10 years of The e-learning Company this autumn.

At the HR level we are investing in a leadership programme, developed within the Bittnet Group, in which we set out to develop the in-house talents to support the growth we expect in the coming years and to be able to preserve the same business philosophy as before.

Business Development & Training Delivery

In the first half of 2022, the Training Delivery team continued the process of configuring how we work as a team and in collaboration with the teams involved in the Buyer's Journey flow. We were joined by 8 new colleagues, one in the organisational team and 7 collaborating trainers.

Another important objective was the implementation of the delivery quality improvement strategy, aiming to increase the satisfaction level of the beneficiaries of the training programmes we organise. Thus, we carried out performance reviews for 9 trainers, as a result of which we identified and implemented improvement measures. As a result, the average value of feedback from participants in training programmes organised by Bittnet increased to 4.7, with 4.88 for formal programmes.

We delivered a total of 272 classes (representing a 206% increase over the same period in 2021) for a total of 2,786 learners (228% increase over the previous year), corresponding to an average of approximately 10 students/class.

Customer Success

In the first 6 months of this year, the Customer Success team has completed its internal working method as well as with other departments, it continued onboarding of companies explaining the role and the activities they perform, focused on discussions with customers to understand their expectations and to get the right feedback from the courses, it intervened when less good feedback was received and proposed solutions.

Due to the fact that several training projects, with UE and other financing, were won in Q2, the Customer Success team was also involved during the implementation and completion period, and it provided support together with colleagues in Training Delivery to manage the projects accordingly.

TECHNOLOGY DIVISION

	30 June 2022	30 June 2021	30 June 2020	Evolution 22 vs 21
Revenues from contracts with clients	58,555,925	42,403,154	49,635,969	38%
Revenues from the provision of services	21,279,269	9,631,810	8,556,171	120%
Sale of goods	37,276,656	32,771,344	41,079,797	14%
Cost of sales	44,821,041	35,010,905	42,469,787	28%
Goods/materials	30,968,956	27,483,485	36,260,772	13%
Cloud services	2,654,728	2,624,922	2,401,940	1%
Hours-Man	11,197,358	4,902,498	3,807,075	128%
Gross margin	13,734,883	7,392,249	7,166,182	86%
Sale/distribution expenses	3,854,322	2,695,440	2,558,771	43%
Hours-Man	3,164,070	2,323,489	2,279,351	36%
Advertisement	690.252	371.951	279.421	86%
Administrative expenses	5,815,412	3,226,129	3,058,539	80%
Hours-Man	2,718,158	1,679,988	1,776,220	62%
Travel and transportation expenses	101.694	37.568	30.783	171%
Headquarters rent	293.703	56.667	13.341	418%
Equipment rent	78.150	35.156	122.590	415%
Materials	169.855	47.505	60.684	253%
Amortization	724.423	653.042	575.336	11%
Other third party services	968.367	331.473	268.271	192%
Other expenditures	407.171	256.299	86.342	59%
Operating profit	4,133,458	1,484,437	1,564,741	178%

The focus on services together with the change in the mix of companies making up the division, has led to an increase in the share of this type of revenue in the division's total – from 23% to 36% (compared to 17% in 2020!). which is driving gross margin growth faster than sales growth. As overall selling and administrative expenses grew at a slower pace than gross margin, the division's operating profit almost tripled compared to H1 2021.

For the Technology Division the second quarter marked a period of growth – significantly accelerated for companies with a high share of services (Optimizer/IT Prepared, Elian Solutions). The trends we have been announcing since the end of last year – sustained demand for services in the areas of cyber security, IT management services and particularly business applications – continued throughout this first half of the year, with companies reporting exceptional increases in turnover and profitability. Dendrio Solutions is also continuing both its half-year revenue growth momentum and the investments begun to strengthen its teams and internal processes. It is worth noting that the resolution

of the problems of global supply chains is delayed and the situation created by the evolution of inflation and the evolution of the EUR/USD exchange rate puts additional pressure on the market.

At the end of Q1 2022 we mentioned that the effects of the geo-political crisis were taking time to emerge. At this point we can see a potential impact on contracts with USD/EUR exposure - especially in large infrastructure contracts. We also note an increased focus by clients on contracts involving significant investments, which translates into an extension of the sales cycle in some cases.

Given both the volume of business the technology division closed in H1 2022 and the level of pipeline projects, we are confident that we can achieve the targets we set at the beginning of the year!

Complex IT Infrastructure & Cloud Services

Dendrio Solutions

In Q2 2022 Dendrio Solutions' business activity was influenced by the already known market context (supply chain challenges) but also by contractual cycle issues or EUR/USD exchange rate evolution for certain customers:

- **Continuing delivery of projects in the backlog.** We recall at the end of 2021 that Dendrio's activity generated a volume of RON 40 million in projects won in 2021 but to be delivered in 2022 (backlog). During H1 2022 we started delivering these projects and will continue delivering them throughout 2022. While we continue to see low predictability on hardware deliveries (which continue to have extremely long lead times of over 200 days), based on confirmations received from manufacturers and based on existing project schedules we are confident that much of this backlog will be closed by the end of the year, bringing a significant positive impact in both revenue growth and operating profit growth.
- **Anniversary of multi-year contracts** based on Microsoft platforms. In June 2022 a number of contracts with a 3-year life cycle were up for re-renewal (re-signing). For reasons related to operational processes such a contract of significant size (over RON 5M) was re-signed with the start date in July and will be included in the results of Q3 2022
- **Impact of EUR/USD exchange rate evolution.** Certain projects developed for public sector clients involve purchases of products and platforms made in USD and their resale at a rate calculated in EUR. For this type of project, the gross margin generated is significantly affected, in some situations even ending up with the cancellation of the procedures due to budgetary limitations.

- **The increase continues.** Last but not least, we continued to open new projects both in the large company segment and in the small and medium-sized company area, achieving a 10% increase in revenue in H1 2022.
- **Innovative projects.** We also continued the implementation of new projects in innovative areas such as the Chromosome Dynamics (CHRD) project – cloud-based deployment of an AI-based crop diagnose system – a project developed together with the Nenos team;

While we expect these supply chain disruptions to continue throughout 2022 and possibly into 2023 we have taken some measures to reduce the impact of this phenomenon:

1. Both the sales and project management teams and the operational teams are closely monitoring the progress of these orders; we focus on reducing the time it takes to resolve delays when they occur;
2. Reallocation of orders within the supply chain to shorten certain delivery times;
3. Organising large contracts into partial deliveries (where possible) to reduce the overall impact of potential delays at company level and to minimise the potential negative impact of currency fluctuations;

Operationally, we continued the initiatives started in the first quarter:

- Focus on improving the skills of teams interacting with customers (Sales, Presales, Customer Success). With the help of colleagues from Equatorial Gaming, the **MindSell** programme dedicated to the professional development of sales teams and not only was launched within Bittnet Group. The programme started in Q2 2022 and will run throughout the year
- In the junior programme we have attracted 4 new colleagues this semester who have already joined the delivery teams – contributing to the flexibility of the cost structure and increasing the ability to deliver in the medium and long term
- The sales process in small and medium sized companies (buyer journey) is starting to accelerate – at the level of the first semester 764 informational leads were generated (only on the inbound marketing process) out of which 130 Marketing Qualified leads (Marketing Qualified leads) and 54 Sales Qualified leads by the sales development team (Sales Qualified leads) were obtained, out of which 12 such leads were won. The impact generated amounted to RON 153,000 additional gross margin.

In the medium and long term we will continue to invest on several development directions:

- Strengthening the team and processes in the Large Accounts area in order to mitigate the risks associated with complex projects (through process

optimizations we can achieve an additional margin estimated at over RON 400,000).

- Preparation of strategic partnerships in order to attract projects funded by the National Recovery and Resilience Plan
- Increase operational excellence in the buyer journey process
- Strengthening synergies at division/group level (increasing the number of projects involving several companies in the technology division/Bittnet Group)

Optimizador (IT Prepared)

Similar to other companies in the technology division (GRX, iSec, Nenos, Nonlinear) the company IT Prepared (renamed Optimizador) joined the Bittnet Group/Technology Division in the second half of 2021 – as a result the financial information has not been consolidated for the first half of 2021. However, we would like to present some directions that make Optimizador a highly successful company in the IT services market:

- Although there are a relatively large number of companies delivering IT management services in Romania, the vast majority of these companies deliver either for foreign markets – services at high quality standards demanded by international markets – or for the domestic market – services at significantly reduced standards compared to international markets, due to the lack of willingness of Romanian customers to pay for expensive but qualitative services;
- Optimizador delivers services in both markets (international and domestic) and – by automating delivery processes – manages to combine very high quality of service at an affordable cost for Romanian customers.
- In this respect, Optimizador team has focused on standardization and automation of the services provided (and of the IT platforms that serve these processes), thus addressing customers from small and medium companies (below 50 employees) in addition to medium and large customers in the US market.
- As a result of this type of service Optimizador achieved a 220% increase in revenue at the end of H1 2022 with a 478% increase in operating profits and a doubling of the existing team (compared to H1 2021).

FORT (Global Resolution eXperts (GRX) & iSec)

The cyber threats that companies in Romania but also international companies have noticed in the first half of 2022 have been steadily increasing, culminating in a series of events that have been [also highlighted by the local press](#).

In addition, the EU-wide regulations that we mentioned in Q1 2022, i.e. [electronic identification \(eIDAS\)](#), [the NIS Directive](#), but also [the regulatory rules for risk management](#)

[and governance of insurance information systems](#) have started to make their presence felt.

In this context, the demand for cybersecurity services has increased sharply, a demand that GRX has managed to transform into an accelerated growth of all business indicators – turnover, profit – particularly through investments in the development of operational teams.

We can say that at the end of the first half of 2022 there are premises for 2022 to be the best year in the company's history. Profitability has been ensured by the increased productivity observed for all business lines of interest, i.e. security and compliance audit, consulting and penetration testing.

An extensive rebranding project for the company was also launched during the first half of the year, with a public campaign to follow in the coming period. The new brand aims to consolidate all the group's cybersecurity consulting services (i.e. security and compliance audit, penetration testing and specific consulting) under one umbrella, bringing together both GRX and iSec.

Business Applications, Software and Artificial Intelligence

Eliau Solutions

This second quarter of 2022 saw a significant increase in the company's business and operational performance, achieving a 161% increase in turnover compared to Q2 2021 (and a doubling of revenue in this half compared to H1 2021).

All 3 major components of Eliau Solutions' business model delivered strong growth momentum:

- Implementation services grew 123%;
- Support services volume grew by 172%;
- the sale of licenses recorded a 193% increase compared to the previous year.

In order to capitalize on the existing potential, team development was accelerated, Eliau solutions closed Q2 2022 with a team of 40 colleagues, as compared to 29 in the same period last year:

- The teams were built, with visible results of the recruitment process with a focus on a specific type of resource started in 2021
- The implementation team has been re-organised being divided into 2 sub-teams, each with a dedicated team leader selected from among members with experience in the implementation activities;

- The development/programming team consists currently of 12 programmers, almost as many as the implementation team (which is made of 15 people)
- The sales team has also grown, consisting now of 3 specialists
- Last but not least, a new colleague has been attracted to the support team
- A project management team has also been added: there are now 2 project managers who have well-defined roles in the management of projects and teams assigned per project.

Operational performance has been improved through the implementation of a number of measures since the end of last year, measures which have started to prove their effectiveness since the first semester. The most important of these measures has been the implementation of KPIs for the consultancy and programming teams.

The methodology involves self-planning for each team member and validation of delivery deadlines with the team manager and associated project manager. In this way there is clear traceability on delivery times, resource load and possible deviations from the delivery deadlines. Performance indicators are calculated on the number of tasks per week. The effect has been as expected: teams have been able to double the number of tasks delivered after implementing this system. While in 2021 a total of 1,620 tasks delivered were recorded, we now have the same number of tasks delivered every 6 months (last year's average was 30 tasks completed weekly, and for the first 6 months of this year we have an average of 70).

In terms of results, Elian solutions has budgeted for 2022 a double turnover compared to 2021 - at the end of the S1 this target being achieved in a proportion of 50%.

Nenos & Nonlinear

Although Nenos and Nonlinear companies became part of the Technology Division (i.e. Bittnet Group) in H2 2021 we believe it is important to recall some of the achievements of this company.

Nenos/Nonlinear solutions:

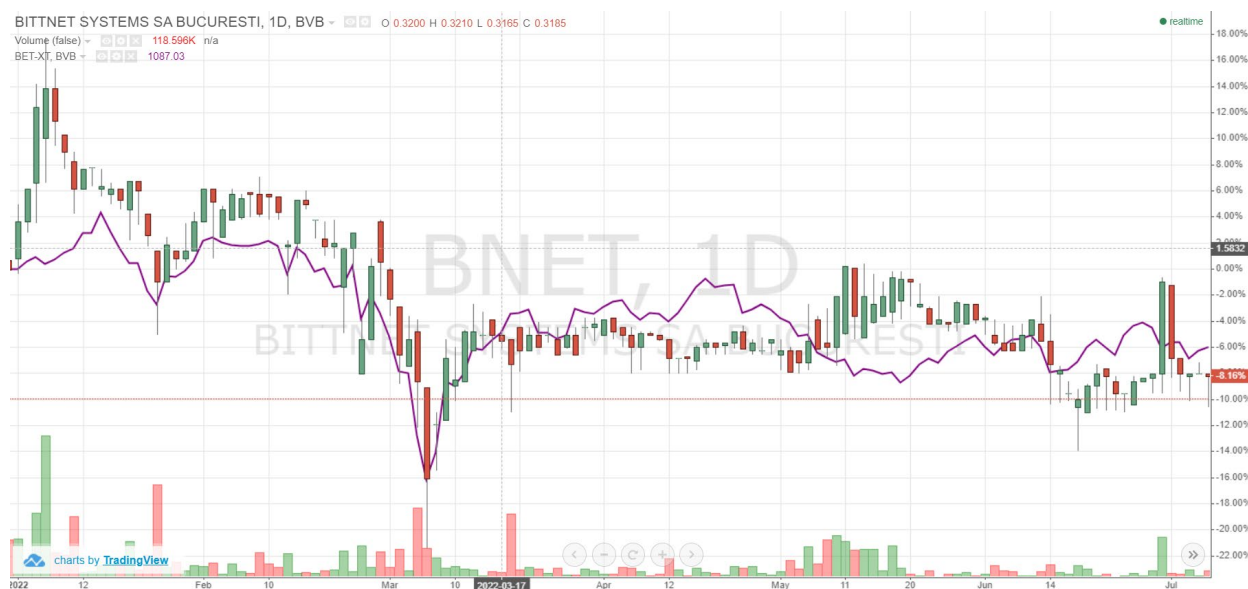
- **Timekey.** This quarter Nenos launched, at group level, the pilot version of the Timekey application. The solution is designed to streamline administrative processes such as daily timekeeping or leave status – it is an application developed internally in response to the pandemic situation that made it impossible to account for hours worked by employees in the group. The solution is currently in testing phase with an initial testing and subsequent implementation at Elian Solutions level.
- **Life360.** As a result of joining the Bittnet group, Nenos started a new project in the United States together with Softbinator (CODE). Nenos team was integrated into the Life360 project, an application that allows members of the same family to check the location and status of people they care for. The app is used globally and aims to bring families closer together by means of complex safety and coordination features for life at home and on the go, including a full range of assistance from certified specialists and emergency dispatchers. As part of this project, Nenos programmers are part of the team working on optimizing back-end services (those services that involve development in Python). Their aim is to analyse and detect issues that could cause problems in the performance of the platforms, as well as to come up with solutions and their implementation.

Team:

- At the end of Q2 2022, the second edition of Nenos Academy has been prepared for launch, focusing on basic training for people interested in specializing in this field. Compared to the previous edition, we are proud we attracted a higher number of interested students, who have passed the interview and initial assessment stage. We currently have 2 active groups focusing on the development of Junior Python Developer and Junior Full Stack Web Developer, with skilled and committed students who have started learning and are preparing for the first assessment within the academy. We are also preparing a third learning group that focuses on training Junior Machine Learning Developers, a group that has higher requirements when it comes to experience and level of training.
- Last but not least, to support the growth process of the company, we have started building the Sales and Marketing department and we are happy to have a new colleague with extensive experience in these areas.

BNET Shares

During H1 2022, the dynamics of the BNET share price was almost similar to the evolution of the BET-XT index of which they are part. Trading volume on the spot market was significant: 48,047,668 shares and the total value of trades in BNET shares during this period amounted to RON 16.1 million. The company's market capitalization decreased by 4.4% during the period, reaching RON 158 million at the end of H1.



*Dynamics of BNET vs BET-XT share price, first 6 months

Starting with November 2020, Bittnet actions enjoy independent analysis reports, available on the "BVB research" hub: <https://bvbresearch.ro/ReportDashboard>

Throughout this half year we have received several questions from shareholders on the topic "why don't stocks increase if the group does such good things?". In a context where both the law and the ethics of the position prohibit us from making investment recommendations, and on the assumption that shareholders understand the company in which they have invested, we bring to the attention of investors the chapter "BNET investment thesis" in the Annual Report for 2021.

<https://investors.bittnet.ro/current-and-historical-financial-results/4q-2021/bnet-investment-thesis/>

About Bittnet Bonds

Currently, Bittnet is the issuer of 3 corporate bond issues, all listed on the SMT-Bonds market of BVB: BNET23C, BNET23A, BNET23. At the time of writing this report, the issuer is up-to-date with the coupon payment.

About BNET23

In 1st Semester 2022, a total of 117 orders were traded totalling a volume of 2823 BNET23 bonds (6% of the total issue) at an average price equal to the nominal value, bringing the total value of the 'exchanges' carried out to RON 282K. The BNET23 issue partially financed, in Q2 2018, the acquisition of 51% of the shares in Elian Solutions and 25% in Equatorial Gaming, and the rest of the amounts were used as working capital. BNET23 bonds are traded as of November 28, 2019, have a face value of RON 100, maturity at 5 years and an annual interest rate of 9%, payable quarterly through the Central Depository.

About BNET23A and BNET23C

During the first semester of 2022, 25,570 BNET23C bonds were traded, in a number of 507 transactions that exceeded 2.52 million RON. The volume traded represents 25.57% of the entire issue at an average price of 99.15% of their nominal value. In the first half of the year, BNET23A bonds recorded transactions worth RON 404K on a volume of 4,212 bonds at an average price of 99.58% of the nominal value.

Between December 2019 and January 2020, Bittnet made the largest bond issues in its history, in the context of financing the M&A project that involved the business transfer from Crescendo International to Dendrio: BNET23A (9.7 million RON) and BNET23C (10 million RON). The transaction intermediaries and the mechanisms used to sell the bonds differed for the two operations (the BNET23A issue was 'placed' in the market through the investment banking division of a commercial bank, whereas the BNET23C was sold through brokerage syndicates consisting of SSIF Tradeville and SSIF Goldring).

Both issues have the maturity of the principal in 2023 (January and December), the coupons are calculated according to the registers received from the Central Depository, the value of the interest is 9% per year, payable half-yearly, and the nominal value in case of both issues is RON 100/instrument.

2. Group economic and financial situation

The issuer shall make available to investors the consolidated analysis of the assets, capital and liabilities of the Group at the end of the reporting period 30 June 2022.

Balance sheet items

Fixed assets

	30 June 2022	30 June 2021	30 June 2020
Goodwill	42,181,893	21,082,977	17,701,643
Other intangible assets	8,909,654	9,029,741	6,657,664
Tangible assets	20,992,230	1,893,046	5,994,018
Investments accounted for using the equity method	2,738,174	9,665,686	991.756
Other financial assets	1,594,252	329.964	1,417,421
Deferred tax	909.993	545.393	643.354
Total fixed assets	77,326,195	42,546,806	33,405,855

Compared to H1 2021, goodwill increased with the value of companies acquired in H2 2021, tangible assets increased according to IFRS 16 with the value of rent for the new premises, and equities decreased with the value of our holding in Softbinator, which was reclassified in H2 2021 as a financial investment.

Current assets

	30 June 2022	30 June 2021	30 June 2020
Inventory	3,690,013	1,659,529	971.621
Trade receivables and other receivables	38,721,488	28,560,071	37,021,583
Financial assets	15,301,841	4,409,338	-
Cash and cash equivalents	19,036,605	26,243,253	26,063,622
Total current assets	76,749,948	60,872,190	64,056,826

The total value of current assets at group level has increased with the size of the group. The increase in commercial receivables by 37% while businesses grew by 45% indicates a better customer collection cycle. These debts cover 113% of commercial debts, in line with historical value. The decrease in cash compared to the beginning of the year is fully explained by financing activities: we repaid bank loans of RON 1.3 million, RON 1.4 million interest on bonds, RON 600k financial lease payments and RON 1 million dividends paid to minority shareholders in companies where we are majority shareholders.

The increase in financial assets is mainly explained by the reclassification in H2 2021 of Softbinator's holdings in this category.

Statement of the group's capital

	30 June 2022	30 June 2021	30 June 2020
Share capital	52,848,060	48,043,690	22,904,973
Issue premiums	9,738,583	14,542,953	982.966
Other equity items	(18,781,441)	(17,781,183)	1,671,049
Legal reserves	1,293,894	524.871	365.212
Reported result	7,942,492	(5,010,621)	(5,978,216)
Current result	(2,617,443)	1,675,568	834.978
Total capital	57,424,145	41,995,279	20,780,962
Minority interests	2,479,542	39.413	422.871
Total equity	59,903,687	42,034,691	21,203,832

As of June 30, 2022, the group's equity recorded a significant increase compared to H1 2021 (almost 43%), being positively influenced by the improvement of the retained earnings (8 million in 2022 vs loss of 5 million in 2021)

Statement OF liabilities OF the group

	30 June 2022	30 June 2021	30 June 2020
Total liabilities	94,172,456	61,384,305	76,258,848
Total long-term liabilities			
Of which:	36,162,039	28,212,902	32,755,953
Bonds	14,287,501	24,044,334	28,304,011
Bank loans	5,253,893	3,290,602	1,624,738
Leasing debts (IFRS16)	15,985,072	792.636	1,756,865
Total short-term liabilities			
Of which:	58,010,417	33,171,403	43,502,895
Bank loans	3,678,618	7,253,564	6,121,554
Bonds	10,814,434	872.768	889.781
Trade liabilities and other liabilities	40,483,642	20,693,396	34,168,678

The total increase in debt is entirely explained by the recording as a liability of the rent (according with IFRS16) for the new offices and the increase in debts to suppliers in line with the receivables from customers.

Long-term payables increased as an effect of IFRS16 by the value of the lease of the new premises, over its entire contractual term (against the emergence of a fixed asset). Total bank debts decreased by RON 1.5 million, following the path we have always followed – to have the sources of financing available for as long as possible. Thus, if last year ±70% of bank debt was short term, now short term bank debts represent only ±43% of bank debts.

The item "trade and other payables" contains the amount of RON 5.7 million due to sellers from various M&A transactions, and a remaining RON 34.6 million due to suppliers, covered by 110% of receivables from customers - in line with historical values.

If on June 30, 2020 we recorded financial debts of 36 million compared to the 22 million equity, at the end of the first semester of the 2021, the ratio is the other way around, the financial debts amounting to less than 38 million, compared to the capitals of 48 million RON. On 30 June 2022, this positive development continued, with financial debts recording RON 34 million (down compared to H1 2021), while equity amounted to RON 59.9 million (up compared to H1 2021). **We consider this evolution a positive one, which puts us on solid foundations for the next scaling up period.**

Situation of bank lending

At the end of the 1st Semester, the Group had contracted bank lending products of about RON 8,9 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. Of the total ceilings, the amounts accessed are reproduced in Note 11 to the Financial Statements:

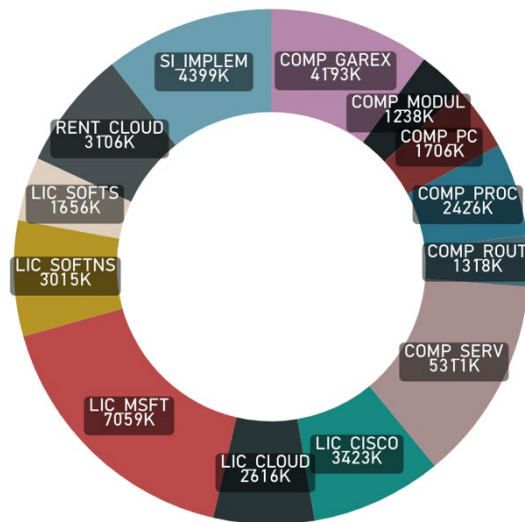
If bond issues are long-term borrowed capital, the bank lending structure of the Group is mainly made up of revolving overdrafts aimed at short-term financing of specific projects. The group is in contact with the banking industry, constantly trying to improve the situation of both working capital and investment.

In this regard, in the first semester of this year, the Group's management opened new discussions about the possibility of obtaining credit lines for financing future M&A projects.

Revenue account

Sales analysis

For a better understanding of the sales structure, we further reproduce the results of the top-selling products for the integration line:

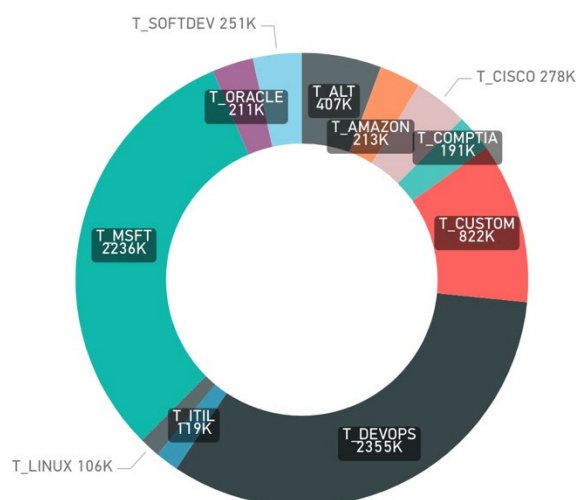


Next, Microsoft solutions are a good entry point in the relationship with customers, and then we can position other more complex solutions.

The type of "Extended Warranties" products includes maintenance services for network infrastructure solutions, ensuring customers a trouble-free operation (any faulty equipment is taken over by our team, with equipment in exchange, and installation and configuration services).

- Implementation services continue to grow compared to previous years
- Compared to previous years, we can see a greater preponderance of infrastructure products (servers, routers) and network software licenses

From the point of view of the Education division, the most sold products are (sales over RON 100,000):



Microsoft Training continues to be an important vector for Bittnet Training, and we estimate that it will increase in weight in the coming periods, taking into account Microsoft's investments in customer education, made with the help of training partners, such as Bittnet.

Naturally, Bittnet's own curriculum (DevOps, Software Development and Custom training) is found in the top of trainings sold to clients because we

paid increased attention to its promotion, having a much higher gross margin than the vendor trainings;

P&L Consolidated Presentation

	30 June 2022	30 June 2021	30 June 2020	Evolution
Revenues from contracts with clients	69,933,394	48,167,941	56,899,284	45%
Revenues from the provision of services	32,656,739	15,396,596	15,819,487	112%
Sale of goods	37,276,656	32,771,344	41,079,797	14%
Cost of sales	52,055,842	37,602,853	45,167,540	39%
Cost of sale of goods/materials	31,233,206	27,571,630	36,955,757	13%
Cloud services	2,654,728	2,624,922	2,401,940	1%
Hours-Man	18,167,908	7,406,301	5,809,843	145%
Gross margin	17,877,553	10,565,088	11,731,744	69%
Other revenues	561.852	278.982	268.807	101%
Sale/distribution expenses	5,949,782	4,264,571	3,348,606	40%
Advertisement	1,160,502	878.978	458.930	32%
Hours-Man	4,789,280	3,385,594	2,889,676	41%
Administrative expenses	8,896,716	5,525,914	5,473,402	61%
Hours-Man	3,609,682	2,623,755	3,287,501	38%
Travel and transportation expenses	105.969	40.252	32.317	163%
Rent / Lease	394.199	116.045	198.839	328%
Materials	207.037	67.265	80.573	204%
Amortisation	1,514.613	1,401.713	838.852	8%
Other third party services	1,675,307	677.037	465.113	155%
Other expenditures	944.377	353.456	361.194	167%
Operating profit	3,592,907	1,053,588	3,178,543	241%

The increased share of services in total revenue generates a faster gross margin growth rate than the revenue growth in the same period last year. Combined with the increase in administrative and sales expenses at a pace lower than the gross margin, operating profit is about 3.5x higher than in the previous year.

The increase of RON 1.4 million in human resources expenditure in the sales activity is composed as follows: RON 450 thousand – the addition of companies in the consolidation perimeter (costs that did not exist in the figures of the previous year) and 950 thousand of the increase in the cost of human resources, both as a result of the increase of salaries, but also of the significant growth of the teams.

In the case of administrative expenses with human resources, the increase of RON 1 million is due to 50% increase in the consolidation footprint and 50% organic increase in the cost of human resources.

Rents and leasing expenses increased due to the fact that in H1 2021 all rents were long-term, so according to IFRS16 they were recorded as liabilities. Instead, in H1 2022 there were monthly rents (short-term car rental, until the renewal of operational leasing contracts, the headquarters from impact Hub until the inauguration of the headquarters in one Cotroceni Park)

Other services executed by third parties increased by RON 1 million – costs for assessing the ownership of the companies in the group and the cost of recruiting human resources, plus RON 250,000 from the extension of the consolidation perimeter.

Various expenses increased by RON 600 thousand, coming in proportion of 175 thousand from the extension of the consolidation perimeter and 290 thousand from expenses reinvoiced as other revenues.

An annual overview of financial results

We consider the activity analysis in an annualized perspective more relevant for the correct understanding of the size and profitability of the group, the adaptation to challenges and the resilience:

SOCI - function	Trailing 12M H1 2022	Trailing 12M H1 2021	Evolution
Revenues from contracts with clients	134,341,780	100,460,416	34%
Cost of sales	(102,635,250)	(80,160,679)	28%
Gross margin	31,706,530	20,299,738	56%
Other revenues	4,369,956	462.003	846%
Sales/distribution costs	(11,232,494)	(8,424,949)	33%
Administrative expenses	(14,951,970)	(9,404,384)	59%
Operating profit	9,892,022	2,932,408	237%
SOP expense	(1,209,387)	(1,102,729)	
Profit/(loss) – Equivalent securities	417.845	521.495	-20%
Financial income	7,306,620	3,601,537	103%
Financial expenses	(2,971,044)	(3,730,947)	-20%
Gross profit	13,436,055	2,221,764	505%
Income tax	(1,151,017)	(574.897)	100%
Net Profit, of which:	12,285,038	1,646,867	646%
Net profit attributable to parent company	9,429,125	1,735,717	443%
Non-controlling interests	2,855,913	-88.850	3278%

Continued revenue and gross margin growth, combined with the better service mix, makes **operating profit nearly 3x higher in the last 12 months** than in the similar period under review.

We believe that successful investment activity can significantly enhance both the group's growth plan and, more importantly, generate a state of anti-fragility.

We suggest shareholders to consider both the operational activity and the merits of the investment activity (or "capital allocation") – in the 7 years since listing on the BSE, we have generated for investors an annualized return of over 40% on the invested amounts. This positive track record is likely to continue in the future, without making any estimates or promises on the actual value of returns.

Operating, financial and gross profit

The Group's operating result in the period under review was of RON 3.6 million vs RON 1 million in H1 2021. The Education division generated an operating loss of RON 540 thousand (compared to RON 431 thousand in H1 2021), in the light of the significant increase in sales costs with the finalization of the new team structure (costs higher by RON 550 thousand), and miscellaneous expenses (increase of RON 440 thousand) increase which was partially absorbed by the additional gross margin generated, amounting to RON 1 million.

The Technology Division recorded almost a doubling of the gross margin, while sales expenses increased by only 37% and administrative expenses by 74%. Thus, the operating profit of the Technology Division increased almost 3 times, from RON 1.5 million to RON 4.1 million.

In H1 2022, the Group carried out various financial operations that generated both liquidity and individual profit. The income from these operations were recorded only through the capital elements, while the revaluation due to the decrease in prices of the listed shares that we own was accounted as an effective loss through the profit and loss account. Thus, at the individual level we record a financial profit of RON 5 million, but in the consolidated situations a loss of RON 3.8 million.

We are confident that, in the long term, investments in CODE and AST will

generate added value for our shareholders. We will continue to invest heavily in other companies, according to the M&A programmatic strategy, which will generate various fluctuations in financial profits in the future.

These results never come linearly, and are not intended to replace operational activity – we are not an investment fund. Instead, they are the result of how we build each partnership, each investment, and how we position ourselves – small downside, infinite upside.

The bet on these investments (acquisitions, M&A projects) proves to be a correct one, each of the companies in which we have invested recording very good results in continuing the investment. As we announced, we will continue these steps in the near future (we continue to negotiate acquisitions of minority or majority stakes in IT&C service companies in Romania and Central and Eastern European countries).

As a result, in H1 2022, the gross profit at the consolidated level was negative: RON -680k, compared to RON 2 million in the previous year.

Net profit

Net profit in H1 2022 is in line with gross profit, recording a value of RON -550k compared to RON 1.58 million in H1 2021.

Declared and paid dividends

The Company did not pay dividends in the 1st semester of 2022. [The company's dividend policy is detailed here](#)

Cash Flow Statement

From an operational and investment point of view the current activity continued to be neutral (investments being financed from investment flows and operations financed from operational activity). The financing activity meant the repayment of bank debts, interest and dividend payments to minority shareholders in the companies owned, a total amount of approximately RON 4 million, which fully explains the cash difference versus the beginning of the period.

	30 June 2022	30 June 2021	30 June 2020
Cash flow from operating activities:			
Gross profit	-679,905	2,038,932	1,301,414
Adjustments for:			
Depreciation expenses	1,514,613	1,401,713	838.852
Expenses related to disposed assets		86.016	
Benefits granted to SOP employees	543.725	401.249	873.241
Interest expenses and other financial costs	1,571,590	1,620,250	1,747,409
Interest expenses and other financial costs - leasing	158.617	230.140	159.414
Interest income and other financial income	-17.839	-73.060	-95.723
Investment income	2,194,936	-2,511,393	0
Equity securities gain	-92.864	-448.033	244.983
Operating profit before working capital change	5,192,983	2,745,815	5,069,590
Variance of the receivables accounts balances and other receivables	-5,097,335	3,564,247	-4,746,991
Variance of the inventory accounts balances	-2,505,051	-502.477	1,595,584
Variation in trade liabilities and other liabilities accounts	2,711,906	-4,513,685	-2,227,454
Cash generated from operation	302.504	1,293,899	-309.271
Profit tax paid	-687.150	-146.157	-50.005
Net cash from operating activities	-384.646	1,147,743	-359.276
Cash flow from investing activities:			
Payments for the purchase of subsidiaries, less purchased cash	-6,787,942		
Payments for the purchase of participation interests	-830.127	-1,075,236	0
Proceeds from the sale of participating interests	7,859,959		
Loans granted to related entities	-240,000	-240.000	0
Acquisitions of tangible and intangible assets	-762.998)	-739.583	-322.239
Other investments in financial instruments	-4,179,500)	-1,865,800	0
Proceeds from other financial investments	4,602,608	1,427,555	
Collected dividends	134.220	385.082	
Interest received	39.143	73.060	72.163
Net cash from investment activities	315.362	-2,034,922	-250.075
Cash flow from financing activities:			
Proceeds from share issue		10,412,024	8,853,597
Repurchases/sales of own shares	25.715	166.200	0
Drawings from bank loans		0	2,383,194
Repayments of bank loans	-1,277,548	-1,610,281	-3,005,006
Repayments of bond issues		-4,500,000	0
Payment of finance lease liabilities	-639.434	-720.646	-743.938
Interest paid	-1,386,756	-1,450,254	-1,638,990

	Dividends paid / received	-1.019.176	-39.266	0
Net cash from financing activities		-4,297,308	2,257,776	5,848,857
Net increase in cash and cash equivalents		-4,366,592	1,370,597	5,239,506
Cash and cash equivalents at the beginning of the financial year		23,403,197	24,872,655	20,824,117
Cash and cash equivalents at the end of the financial year		19,036,605	26,243,252	26,063,623

3. Analysis of the company's activity

3.1. Presentation and analysis of trends, elements, events or uncertainty factors affecting or likely to affect the company's liquidity compared to the same period of the previous year.

There are no significant differences between the business environment in which we operate in 2022 versus 2021 in terms of potential effects on the group's liquidity ratios. As proof, both the liquidity and the average collection time of customers record values similar to those previously recorded:

Rate	Formula	Q1 2018	Q1 2019	Q1 2020	Q1 2021	Q1 2022
Current liquidity rate	Current assets / current liabilities	1.43	2.27	1.52	1.84	1.46
Rapid liquidity ratio	(Current assets - Inventories) / Current liabilities	1.34	2.22	1.41	1.79	1.39
Average duration of collection of customers (DSO)	Balance from customers / Capital turnover * 180	130	112	110	91	100

Current liquidity and fast liquidity are two of the most important financial ratios of a company and measure its ability to pay short-term liabilities using short-term available assets.

The high level of liquidity rates implies a reduced share of fixed assets and a shorter period for capitalizing the services sold by the company which translates into a more efficient use of working capital. In the current situation, the current activity and the working capital are not dependent on the financing from short-term loans.

3.2. Presentation and analysis of the effects on the financial situation of the company of all current or anticipated capital expenditures (specifying the purpose and sources of financing these expenditures), compared to the same period of last year.

In EGMS from November 2020, the management of the company was mandated to contract a new office space with a maximum value of the total rent corresponding to the entire office space of EUR 500,000 (five hundredths) per year, representing "all inclusive price" (maintenance, additional services, without including the costs of arrangement, relocation, utilities, etc.); for a maximum duration of the lease is 5 (five) years from the signing of the contract, with the possibility of extending it. The company has signed such a contract with One United Properties for a space in the One Cotroceni Park building.

As of H1 2022, this contract started to be accounted for – generating a long-term asset and liability of RON 18 million, according to IFRS16. These are not real asset acquisitions.

Instead, during H1 2022, our group began to make various investments for the development of this space – worth about RON 1.5 million. These are actual asset acquisitions.

3.3. Presentation and analysis of events and transactions of economic changes that significantly affect the income from the core activity Indication of the extent to which revenue has been affected by each identified item. Comparison with the corresponding period of last year.

The Technology Division

The development of the companies in the Technology Division was influenced by the following factors:

- The complex geo-political context, which led to a significant increase in the number of cyber attacks, in conjunction with regulations introduced at European level (such as electronic identification – eIDAS, or the NIS Directive) accelerated the demand of companies in the market for cyber security services – in the case of GRX;
- The automation of delivery processes (in the case of Optimizor) but also reconsideration of planning and delivery operations and the introduction of operational metrics (in the case of Elian Solutions), have led to a sustainable growth of the two companies' businesses. The growth in this half year also reflects the efforts made over a significantly longer period (for example Optimizor started to focus exclusively on the delivery of managed services from 2020) – this effort is starting to produce effects in the companies' businesses in this half year;
- In the case of Dendrio, the technology market (particularly for companies with a significant hardware component, such as Dendrio) continues to be impacted by supply chain disruptions – which further translates into different (harder to predict) seasonality compared to previous periods. It also translates into extended delivery cycles, which also produce a shift in company profitability towards the end of the year;
- Last but not least, the renewal of a significant contract in July (and not during June as was the case in 2019-2021), produced a disproportionate impact in Q2. Of course, this contract still exists in Q3 – the year-to-year evolution remains unaffected.

The Education Division

Below we present the items that influenced the revenue evolution:

1. **LAUNCHING EU FUNDED PROJECTS PREPARED IN 2020 AND 2021** - as early as autumn 2020 several EU-funded education projects have been launched in tender for large companies interested in developing their employees' digital skills. We participated in a large part of these projects and managed to win customers like Distribuție Energie Oltenia, Orange, Dacia-Renault and OMV-Petrom, each of them contributed significantly to the revenue this semester. The projects are planned to be fully delivered by the end of the year
2. **PUBLIC SECTOR PROJECTS** – this year we were able to enter into cloud and cyber-security projects targeting the public sector (ministries, government agencies and military units) which generated a revenue stream that we have not had before in a significant way, and perhaps more importantly future opportunities
3. **BUSINESS MODEL CHANGE** - in order to respond to the changes brought about by the pandemic, and to be able to capitalise on market opportunities we have significantly changed the business model and architecture of the organisation. These changes have started to produce positive effects in that we are generating more business than ever with new customers, customers who will continue to generate revenue in the years to come.

4. Changes affecting the company's capital and management

4.1. Description of the cases where the company was unable to meet its financial obligations during the period.

The company was not unable to comply with its financial obligations.

4.2. Description of any change in the rights of the holders of the securities issued by the company.

There are no changes to the rights of the holders of securities issued by the company.

Expression of options for cash or shares distribution - capital increase 1:10

The General Meeting of Shareholders approved in April 2022 the increase of the share capital by the amount of RON 4,804,369.10 by issuing 48,043,691 shares with a nominal value of RON 0.1/share for the benefit of the shareholders registered in the Register of Shareholders kept by the Central Depository on the registration date 21/07/2022. The shareholders from the reference date of the General Meeting of Shareholders agreed that the shares so acquired will be left at the disposal of the company for the purpose of implementing the stock option plans approved by the previous general meetings.

However, considering that the shareholders from the date of registration of EGMS Decision no. 2 (21.07.2022) may have been different from the shareholders from the reference date for the April EGMS, The shareholders from the registration date 21.07.2022 had the opportunity to expressly choose whether they opt for consistency with the shareholders' decision from the reference date for the EGMS – thus receiving a cash distribution of RON 0,1 for each 10 shares held, or they prefer to be assigned the newly issued action.

The additional procedure was carried out through an online portal made available to investors from the date of registration July 21, 2021 through which they could choose whether they wanted cash distribution.

During the period set to choose on option, 27 July 2022 - 4 August 2022, 17:00, the Issuer received a total of 234 options from 234 shareholders representing a total of 205,693,904 voting rights, i.e. 43.34% of the Issuer's total voting rights. Of the options cast, 105 shareholders representing 175,297,189 voting rights, i.e. 36.93% of the total voting rights, opted for: OPTION 1 – i.e. for cash distribution.

The Company will transfer to these shareholders the amount of RON 2,629,453.80 starting from September 12, 2022, through the Central Depository system, with Banca Transilvania as paying agent.

Shareholders who voted 'against' or 'abstain' during the option period, as well as those who did not undertake any option procedure, will not benefit from the cash distribution and will be allocated their shares in Section 1 of the Central Depository, after the issuance of the registration certificate by ASF. The allocation of shares is also estimated to be made on September 12th. At the same time, the Central Depository shall upload to the Issuer's account a number of 17,529,692 treasury shares.

Shareholders Structure as at 30 June 2022

The shareholding structure on June 30, 2022, according to the information from the Central Depository is:

Shareholder	Percentage of capital and voting rights
LOGOFĂTU CRISTIAN-ION	11,1278 %
LOGOFĂTU MIHAI-ALEXANDRU-CONSTANTIN	12,0454 %
Individuals	57,5567 %
Legal entities	19,2701 %

5. Significant transactions with affiliates

Not applicable - During the reporting period, the company did not enter into significant transactions with persons with whom it acts in concert or with affiliates. In carrying out normal operational activity, there are trade flows that generate transactions between group companies:

Bittnet deliveries to the Group:

- 496,802.20 RON indirect expenses rebilling
- 211,841.63 RON services and goods resold to customers

Dendrio deliveries to the Group:

- 110,682.19 RON indirect expenses rebilling
- 39,477.68 RON goods and services resold to customers

Equatorial deliveries to the Group:

- 17,022.51 RON indirect expenses rebilling
- 84,480.90 RON goods and services resold to customers.

Elian deliveries to the Group:

- 121,495.55 RON - ERP services

Nenos deliveries to the Group:

8,203.8 lei refacturare cheltuieli indirecte

Nonlinear deliveries to Group:

- 184,366.60 RON services resold to customers

Computer Learning Center deliveries to Group:

- 78,720.64 RON services resold to customers

iSEC delivers Group:

- 6,185 RON services resold to customers

IT Prepared deliveries to Group

565,901.02 RON resold to customers

6. Degree of target achievement for 2022

Profit and loss account [RON], consolidated	Expected value FY 2022	Reported value H1 2022	% of output after Q1
Turnover	158,493,000	69,933,394	44%
Direct expenses	-110,159,000	-52,055,842	47%
Indirect expenses	-29,486,000	-14,846,498	50%
EBITDA	18,847,000	5,107,519	27%
Amortization	-2,011,000	-1,514,613	75%
Operating profit	16,961,000	3,592,907	21%
Financial Result	1,250.000	-3,729,087	-397%
SOP adjustments	-840,000	-543.725	65%
Gross profit	17,371,000	-679,905	-104%
Number of ONRC shares *	528,480,594	528,480,594	
Earnings per share (money)	2.41	1.04	43%

7. Risks identified by the Issuer

We remind investors that investing in Bittnet shares or bonds involves certain risks, of which we list a part below.

Risks regarding the Issuer's business and field of 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.

Risk associated with M&A transactions

Most studies and articles dedicated to the topic of M&A (acquisition and merger processes of other companies/businesses) show a statistic that holds no promise for acquiring companies: overwhelmingly, M&A processes destroy value for both companies (especially for the purchasers). This element takes on an even more negative dimension when in acquisitions, companies pay with shares of the acquiring company, as it is the case with our group. There is a significant risk that the processes we run will have the same negative long-term consequences. Management seeks to build each investment with a high degree of safety ("margin of safety") and to align the interests of the participants through payment formulas and mechanisms. However, there is no guarantee that we will be able to continue to identify such solutions, and that future M&A processes 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 RON 100 of gross margin, from how many RON 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 RON of sales is needed to produce the committed margin of RON 100", 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 RON 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 inclusion of the "Millenials" generation in a greater proportion within the workforce, we consider that this risk - related to the ability to deliver the promises to customers - is a significant one for the company, accompanied 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 in the analysed period, at the time when 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 85% legal quorum necessary 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 FSA, despite the efforts made by the company. The unclearness 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 comoditization 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 positioning as a "first mover" helps the company to provide added value through the services provided (consultancy, building technical solutions, installation and simplification, 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.

Litigation risk

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

During 2021, according to the mandate given by the GMS in November 2020, Bittnet requested Anchor Grup – the owner of the building at 26 Bd Timisoara to extend the office space, under the same contractual conditions, to accommodate with the new workspace regulations (distance between people), and with the team to be expanded as a result of the M&A transactions. Taking into account that the offer received from Anchor Group was considered as non-compliant, we notified them of the application of the “break-up” clause in the contract, and according to the mandate given by the GMS to the CEO during the meeting of 26.11.2020, Bittnet Group negotiated with the present suppliers in the market an optimal solution for the current development plans.

Following negotiations with various representatives, a new lease agreement was signed with the company ONE United Properties for a space in the ONE Cotroceni Park (OCP) building, for a period of 5 years and having as starting date 1 February 2022. The previous lease agreement, concluded with Bucuresti Mall Development and Management Srl, was unilaterally terminated by Bittnet Systems starting with 31 May 2021.

At the date of publication of this report, the Company is aware of the existence in the Courts Portal of a lawsuit filed by Anchor Group having as object “claims”. Given the early stage of the litigation (the plaintiff has not filed the claim), we could not assess the need

for a provision. As the court file advances, there is a risk that BNET's profitability may be affected by the establishment of a provision for this dispute.

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 tender 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 has offered fixed interest bonds, and subsequently reimbursed some of them. At the end of 2021, more than 75% of the long-term debt had a fixed interest rate of 9%. Analyzing the total interest-bearing debt, more than 70% has fixed interest at 9% per annum. During 2023, all 3 currently existing bond issues come to maturity. During 2022 and 2023 the Issuer would have to refinance partially or fully 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 the transactions. The bank financing has fully variable interest rates, such as "ROBOR + a margin", which additionally exposes us to the risk of interest fluctuation. 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.

8. Signatures and declarations according to art. 123 2 point B, letter c of the FSA Regulation no. 1/2006.

Cristian Logofătu, as a member of the Board of Directors of the Company, declares that, to the best of his/her knowledge, the half-yearly accounting reporting which has been prepared in accordance with the applicable accounting standards, provides a correct and consistent image with the reality of the assets, liabilities, financial position, profit and loss account of the Issuer or its subsidiaries included in the consolidation process and that it presents correctly and completely the information about the Issuer.

9. Annexes

Annex 1 - Decisions of the Extraordinary General Meeting of Shareholders of 20/04/2022 amending the Articles of Incorporation of the Company

Considering that:

1. The convening notice for the Extraordinary General Meetings of the Shareholders published on the company's website- (<https://investors.bittnet.ro/>) and on BVB website (<https://www.bvb.ro/>) on 17.03.2022, in the Official Gazette of Romania, Part IV, number 1146 on 18.03.2022 and in the Jurnalul newspaper, on 18.03.2022;
2. The provisions of the Companies Law no. 31/1990, republished, with subsequent amendments and additions (Law no. 31/1990);
3. Provisions of Law No 297/2004 on the capital market, as further amended and supplemented (Law No 297/2004);
4. Provisions of Law No 24/2017 on issuers of financial instruments and market operations, as further amended and supplemented (Law No 24/2017);
5. The provisions of ASF Regulation No. 5/2018 on issuers of financial instruments and market operations, as further amended and supplemented (Regulation No. 5/2018);
6. Provisions of the CNVM Regulation no. 6/2009 on the exercise of certain rights of the shareholders within the general meetings of trading companies, as further amended and supplemented (Regulation no. 6/2009)

Following the debates, the Company's shareholders adopted the following resolutions on the amendments to the Articles of Association:

For item 2 on the Assembly Agenda:

The increase of the share capital by RON 4.804.369,10 shall be approved by the issuance of 48.043.691 shares with a nominal value of RON 0,1/share for the benefit of the shareholders (including for the benefit of the company for its own shares) recorded in the Shareholders Register kept by the Central Depository on the registration date to be established by the GMS. The allotment of newly issued shares will be 1 bonus share for every 10 shares held. The increase of the share capital will be achieved through the partial capitalization of the issue premiums, amounting to RON 4,804,369.10. The purpose of the capital increase is to issue available shares so that the Company can meet its obligations under the approved incentive plans, and shareholders who decide to leave the newly issued shares at the Company's disposal will, in return, receive a cash distribution equal to RON 0.15 for every 10 shares held on the record date. Shareholders registered in the Shareholders Register on the Record Date (21 July 2022) will be able to opt out of supporting the Company's development plans and obligations, with a period of 9 days to choose:

- I. either to leave the shares at the disposal of the company (they will be debited by the Central Depository into the issuer's treasury account) and to receive a cash distribution of RON 0.15 for every 10 shares held on the record date,
- II. or not to support the Company in fulfilling its obligations and to receive one bonus share for every 10 shares held on the Record Date.

If in the case of a shareholder the application of the proportion leads to a number of shares which is not an integer number, the new number of shares to be received shall be calculated by rounding down to the first integer number. The Company will compensate the shareholders for the resulting fractions through the Central Depository. The amount to be compensated is obtained by multiplying the fraction by ten decimal places by the compensation price and then rounding the result of the multiplication to two decimal places. The compensation price shall be equal to the higher value of: the market value established according to the Law and the nominal value.

Approval of the record date (defined as the date which serves to identify the shareholders to whom the resolution is to be passed), the ex-date and the payment date, as follows: 21.07.2022 - Record Date; 20.07.2022 - Ex-date; 12.09.2022 - Payment Date for fractions resulting from rounding down to the whole number and for the consideration for shares left at the Company's disposal; 12.09.2022 – Payment Date for new shares, defined as the date on which the newly issued shares will be debited to the global accounts of shareholders as of the Record Date, who have not chosen to support the Issuer in the fulfilment of their obligations.

This resolution was adopted with a quorum representing 71.2714% of the total voting rights and with the affirmative vote of shareholders representing 99.6519% of the total votes cast.

Annex 2 – ‘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).</p> <p>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.</p> <p>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.</p> <p>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>

Annex 4 - Individual Financial Statements (Unaudited)

BITTNET SYSTEMS SA

CONSOLIDATED INTERIM REPORTING

Prepared in accordance with
Order of the Minister of Public Finance
no. 2844/2016 with subsequent amendments,
for 6 months ended on June 30, 2022

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STATEMENT OF COMPREHENSIVE INCOME

	For the period of 6 months	
	30 June 2022	30 June 2021
Revenues from contracts with clients	69,933,394	48,167,941
Cost of Sales	(52,055,842)	(37,602,853)
Gross margin	17,877,553	10,565,088
Other income	561,852	278,982
Sales expenses	(5,949,782)	(4,264,568)
General and administrative expenses	(9,440,441)	(5,927,163)
Profit/(loss) – Equivalent securities	92,864	448,033
Financial income	(2,177,098)	2,608,052
Financial expenses	(1,644,853)	(1,669,492)
Gross profit	(679,905)	2,038,932
Profit tax	122,376	(457,639)
Net profit, out of which:	(557,529)	1,581,294
Atributable to Parent company	(2,617,443)	1,675,568
Non-controlling interests	2,059,914	(94,274)
Net profit	(557,529)	1,581,294
Other items of the consolidated result	-	-
Total consolidated result	(557,529)	1,581,294
Atributable to Parent company	(2,617,443)	1,675,568
Non-controlling interests	2,059,914	(94,274)

The interim consolidated financial report from page [3] to page [27] was approved and signed on August 25, 2022

Mihai Logofatu
CEO

Adrian Stanescu
CFO

STATEMENT OF THE FINANCIAL POSITION

	30 June 2022	31 Dec 2021
ASSETS		
Fixed assets		
Goodwill	42,181,893	41,705,648
Other intangible assets	8,909,654	9,219,368
Tangible assets	20,992,230	2,352,513
Equivalent securities	2,738,174	1,996,840
Other financial assets	1,594,252	2,041,467
Deferred tax	909,993	47,257
Total non-current assets	77,326,195	57,363,094
Current assets		
Inventories	3,690,013	1,184,962
Trade receivables and other receivables	38,721,488	32,644,937
Financial assets	15,301,841	17,919,885
Cash and equivalents	19,036,605	23,403,197
Total current assets	76,749,948	75,152,981
TOTAL ASSETS	154,076,143	132,516,075
EQUITY AND LIABILITIES		
Share capital	52,848,060	48,043,690
Issuance premiums	9,738,583	14,542,953
Other equity items	(11,781,441)	(19,082,504)
Reserves	1,293,894	1,114,139
Retained Earnings	5,325,050	8,122,246
Parent company equity	57,424,145	52,740,525
Non-controlling interests	2,479,542	1,164,851
Total equity and reserves	59,903,687	53,905,376
Long-term liabilities		
Bonds	14,287,501	24,044,334
Bank loans	5,253,893	6,327,926
Leasing debts	15,985,072	676,929
Deferred income tax liabilities	635,574	624,136
Total long-term liabilities	36,162,039	31,673,325
Current liabilities		
Bonds	10,814,434	872,768
Bank loans	3,678,618	3,882,132
Leasing debts	2,623,403	540,786
Dividend	62,503	9,995
Corporate tax liabilities	347,817	294,606
Trade liabilities and other liabilities	40,483,642	41,337,088
Total current liabilities	58,010,417	46,937,374
Total liabilities	94,172,456	78,610,699
TOTAL EQUITY AND LIABILITIES	154,076,143	132,516,075

STATEMENT OF CASH FLOWS

	For the period of 6 months	
	30 June 2022	30 June 2021
Gross profit	(679,905)	2,038,932
Adjustments for:		
Depreciation expenses	1,514,613	1,401,713
Expenses related to disposed assets	-	86,016
Benefits to SOP employees	543,725	401,249
Interest expenses and other financial costs	1,571,590	1,620,250
Interest income and other financial income	140,888	157,080
Investment gains	2,194,936	(2,511,393)
Profit from equivalent securities	(92,864)	(448,033)
Operating profit before working capital change	5,192,983	2,745,815
Variance of the receivables accounts balances	(5,097,334)	3,564,247
Variance of the inventory accounts balances	(2,505,051)	(502,477)
Variance of the debts accounts balances	2,711,906	(4,513,684)
Cash generated from operation	302,504	1,293,899
Profit tax paid	(687,150)	(146,157)
Net cash from operating activities	(384,646)	1,147,743
Investments:	(6,787,942)	
Payments for purchasing participation interests	(830,127)	(1,075,236)
Loans granted to related entities	7,859,959	(240,000)
Acquisitions of tangible and intangible assets	240,000	(739,583)
Proceeds from other financial investments	(762,998)	(438,245)
Collected dividends	423,108	385,082
Interest received	134,220	73,060
Net cash from investment activities	39,143	(2,034,922)
	315,362	
Financing activities:		
Income from the issue of shares	-	10,412,024
Repurchases/sales of own shares	25,715	166,200
Repayments of bank loans	(1,277,548)	(1,610,281)
Receipts/Repayments from bond issue	-	(4,500,000)
Payments of finance lease liabilities	(639,544)	(720,646)
Interest paid	(1,386,756)	(1,450,254)
Paid dividends	(1,019,176)	(39,266)
Net cash from financing activity	(4,297,308)	2,257,776
Net cash increase and cash equivalents	(4,366,592)	1,370,597
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	19,036,605	26,243,252

STATEMENT OF CHANGES IN EQUITY

	Share capital	Issuance premium	Other equity items	Legal reserve	Carried forward result	Total equity	Interests non-controlling	Total equity
Dec/31/2020	26,443,139	25,409,965	(19,893,997)	451,993	(5,020,028)	27,391,073	255,237	27,646,310
Net profit	-	-	-	-	1,675,568	1,675,568	(94,274)	(1,581,294)
Other items of the overall result	-	-	-	-	-	-	-	-
Total overall result	-	-	-	-	1,675,568	1,675,568	(94,274)	(1,581,294)
Transactions with shareholders	-	-	-	-	-	-	-	-
Share capital increases	21,600,551	(10,867,013)	(321,515)	-	-	10,412,024	-	10,412,024
Own shares transactions	-	-	2,033,080	-	-	2,033,080	-	2,033,080
Benefits to SOP employees	-	-	401,249	-	-	401,249	-	401,249
Dividend distribution	-	-	-	-	82,284	82,284	(121,500)	(39,266)
Legal reserve distribution	-	-	-	72,878	(72,878)	-	-	-
30 June 2021	48,043,690	14,542,953	(17,781,183)	524,871	(3,335,053)	41,995,279	39,413	42,034,691
	Share capital	Issuance premium	Other equity items	Legal reserve	Retained Earnings	Total equity	Interests non-controlling	Total equity
Dec/30/2021	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 items of the overall result	-	-	-	-	-	-	-	-
Total overall result	-	-	-	-	(3,838,848)	(3,838,848)	566,425	(3,272,423)
Transactions with shareholders	-	-	-	-	-	-	-	-
Benefits to SOP employees	-	-	543,725	-	-	543,725	-	543,725
Sell of minority interests	-	-	6,787,022	-	-	6,787,022	300,462	7,087,484
Legal reserve distribution	-	-	-	179,754	(179,754)	-	-	-
30 June 2022	52,848,060	9,738,583	(11,781,441)	1,293,894	5,325,050	57,424,145	2,479,542	59,903,687

NOTA 1. GENERAL INFORMATION

Group and operational activities structure

The financial statements include the consolidated financial information of the parent company Bittnet Systems (the "Issuer"), with its registered office in Str. Sergent Ion Nutu, nr. 44, One Cotroceni Park, Corp A & B, 4 floor, District 5, Bucharest, and the following subsidiaries, all subsidiaries being registered in Romania:

	30 Jun 2022	31 Dec 2021
Subsidiary - %		
Dendrio Solutions	88,001%	100%
Elian Solutions	51.02%	51.02%
Equatorial Gaming	98.99%	98.99%
Equatorial Training, prin 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, prin Global Resolution Experts	60%	60%
MINORITY INTERESTS		
E-Learning Company	23%	23%

The group has over 200 employees and collaborators, working for one of the 5 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 by the acquisition method. In the financial position statement, the identifiable assets, liabilities, and contingent liabilities of the acquirer are initially recognized at their fair values at the acquisition date. The results of the purchased operations are included in the consolidated statement of comprehensive result from the date of obtaining the 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 si GRX Advisory – Decembrie 2021).

Bittnet Systems SA – unique registration code 211818481

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

In February 2009, the company changed its legal status to a public limited company (SA) following the share capital increase, using the profits generated in 2008. In 2012, the company received a first injection of

“external” capital (equity investment) from business angel Răzvan Căpățină, who is still an important shareholder of the company.

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

In 2016, the company created a new area of competence by introducing advisory 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 new group of customers with a slightly different profile. Throughout 2017, the company continued to invest in the increase and diversification of the technical skills specific to AWS and Azure in order to be able to respond to the received requests.

Since April 2018, the new structure of the group has been adopted and the Bittnet Group business structure has been reorganized in 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 trainers team in Romania.

The trainings provided by Bittnet allow the access of experts to technology by teaching IT skills, from the basic ones (e.g.: Microsoft Office Suite) to the most advanced (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 **Bittnet**, **Dendrio** and **Elian**. 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 (BNET symbol) are listed on the BVB Regulated Market.

Dendrio Solutions - unique registration code 11973883

During 2017, Bittnet Group acquired GECAD NET from 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 optimisation 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, as well as an extensive portfolio of clients, products and services.

In June 2022, Bittnet Systems informed the Market, through current report no. 25/14.06.2022, that an institutional investor was co-opted in the shareholding of Dendrio Solutions SRL. The operation was carried out by selling an 11.999% stake in Dendrio to the investment fund Agista Investments for the amount of RON 7,499,982.76. Considering the transaction price, the market valuation of the IT&C integrator Dendrio

Solutions amounts to RON 62.5 million. With the addition of Agista as a shareholder, Dendrio starts the road to becoming a public company through the capital market either through a private placement or an initial public offer at BSE, or through a merger procedure with a company listed on a regulated market or on a SMT from a European Union member country.

Elian Solutions - SOLE REGISTRATION CODE 23037351

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

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

Equatorial Gaming - SOLE REGISTRATION CODE 30582237

In 2018, the Group purchased a significant package in the gaming-based learning company, Equatorial Gaming. Following the acquisition, the Equatorial activities were integrated into the **Education** division.

In August 2020, Bittnet activated the option to convert the Ron 1,050,000 loan granted in 2018 to Equatorial Gaming, the equivalent of 20.1% of the share capital. In November 2020, Bittnet's shareholders approved the purchase of a number of registered shares representing 60.3665% of Equatorial Gaming SA' share capital. As a result of these operations, Bittnet Systems has reached a 98.99% ownership of Equatorial Gaming SA' share capital.

Equatorial, a *game-based learning* company is specialized in providing transformer training and consulting programs at individual, team and organizational level in Romania and abroad. In 2015, the company invented and launched the Equatorial Marathon, an Alternate Reality Game for corporations, which increases engagement and stimulates employees' behavioural changes. In 2018, Equatorial launched a new product: VRrunners, an evolution for mobile platforms of the Marathon application. In 2019, Equatorial released 2 new games: White Hat and the Bona Fidae Agency.

Computer Learning Center & ISEC Associates

In August 2021, the Group informed investors about the signing of share sale-purchase contracts for the takeover of the cyber security company - ISEC Associates SRL and the IT training company - Computer Learning Center. The purchase price for 100% of the Computer Learning Center (CLC) company was RON 725,000, the amount which was settled in 2 tranches: the first tranche, worth RON 225,000, was paid during August 2021, and tranche 2 - in the amount of RON 500,000, conditional on the removal from CLC's patrimony of assets that are not relevant for the company's current activity (noncore assets) - was paid in January 2022.

Bittnet Group thus strengthens its Education Division and expands the portfolio of certifications, especially in the cyber security sector. The company collaborates with over 30 certified trainers and has delivered over 2,500 courses to 15,000 participants in recent years. Following the entry of Bittnet Systems into the shareholding, a loan agreement was signed by the parties in September 2021 by which the Issuer made available to Computer Learning Center the amount of RON 560,000 for 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 in the period October 2021 - February 2022.

The purchase price for 69.99% of ISEC Associates was RON 295,000, the amount which was paid in one installment, by bank transfer, to the founding shareholder, Alexandru Andriescu. ISEC Associates is a company founded in 2003, specializing in cyber security audit, consulting and testing services. ISEC helps companies identify, secure and manage information security. By acquiring ISEC, Bittnet is developing its position on the cyber security market. Following the entry of Bittnet Systems into the shareholding, a loan agreement was signed by the parties through which the Issuer made available to ISEC Associates the sum of RON 370,000 for financing the working capital for a maximum period of 3 years and an interest rate of 9% per year. The loan was increased to the amount of RON 470,000 in February 2022.

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

IT Prepared

In August 2021, Bittnet informed the investors and the Market about the closing negotiations and signing of the agreement for acquisition of a majority stake in the IT Prepared SRL company. The transaction price amounts to USD 776,290 for 50.2% of the company and will be paid through a mix of cash and BNET shares in 3 tranches as follows:

- The first tranche, in the amount of USD 265,200, was paid in RON immediately after the signing of the share purchase agreement, by bank transfer to the two founding shareholders of IT Prepared;
- Tranches 2 and 3, in the amount of USD 368,290 (the updated amount following the closing of the IT Prepared financial statements on 12/31/2021), respectively USD 142,800 (the amount to be updated following the closing of the IT Prepared financial statements on 12/31/2022), will be paid to the founders of IT Prepared by settlement in BNET shares in a future capital increase operation. The actual number of shares to be issued will be determined in accordance with the provisions of art. 210(2) of Law 31/1990 and art. 87-88 of Law 24/2017 regarding issuers of financial instruments and market operations and art. 174 of the ASF Regulation no. 5/2018.

The transaction of taking over the majority stake in ITPrepared SRL was approved by the Shareholders in EGSM on November 26, 2020. Taking into account that the financial and operational situation of IT Prepared SRL changed between the moment of approval granted by EGSM and the moment of signing the investment agreement, the parameters of the transaction were renegotiated in favor of Bittnet, the final valuation being reduced by half (thus Bittnet took over the majority package), and the payment being dependent on the confirmation of positive operational results in 2021 and 2022. ITPrepared SRL was consolidated in the financial statements starting from September 2021.

Nenos Software & Nonlinear

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

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

- 50% of the transaction price (the amount of 2,425,000 lei) was paid by bank transfer to the sole associate of Nenos Software;

- 50% of the transaction value will be settled through the allocation of Bittnet shares to an operation that will be completed through a capital increase. The actual number of BNET shares that will be issued will be determined in accordance with the provisions of art. 210(2) of Law 31/1990 and art. 87-88 of Law 24/2017 regarding issuers of financial instruments and market operations and art. 174 of the ASF Regulation no. 5/2018.

For the purchase of 60% of the company Nonlinear SRL, the transaction price is RON 120 and is equal to the nominal value of the transferred shares. In 2020, Nonlinear had a turnover of RON 392,442 and a net profit of RON 115,018, employing 4 programmers.

In 2021, Nonlinear signed a non-refundable financing contract for the development of a digitization product, intended for SMEs and micro-enterprises, which will allow the automation of some HR, accounting, invoicing, etc. processes. The product is a no-code platform where process automation can be done by employees without programming knowledge. The non-refundable financing is 1.5 million EUR, with an own contribution of 0.5 million EUR.

By taking over the majority shares in Nenos Software SRL and Nonlinear SRL, Bittnet strengthens its position in the software development division, also entering the artificial intelligence sector. Nenos Software and Nonlinear were consolidated in the financial statements starting 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 services company in the area of cybersecurity, which offers penetration tests, but also design, implementation and maintenance of cybersecurity solutions. GRX fully owns GRX Advisory SRL (CUI 43813325), with similar services.

The Group initially acquired, in December 2021, a 74% stake in the shares of the "mother" company - GRX, and later at the end of 2021 it attracted a number of financial 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 were paid in December 2021 and RON 6,275,200 were paid between March and April 2022, after the completion of the audit for the financial results of 2021. The sale price for 14% of the shares held in GRX was RON 3,472,631, the amount received in full in December 2021 – January 2022. The services offered by GRX are similar to those offered by ISEC: professional services in the area of cybersecurity: IT compliance audit, Penetration test services for Web applications and IT infrastructure, for beneficiaries from Romania and the European Union; Design, implementation and maintenance services of IT management systems and informational security for compliance with ISO27001, ISO9001, ISO20000 standards; Design services of controls and IT security systems to be implemented (VPN, Antivirus/AntiX, DLP, NAC, IDS/IPS); Architectural design services for IT infrastructure technical solutions regarding the integration of financial IT systems in the Public Cloud; Architectural design services of technical IT infrastructure solutions for the implementation of complex IT systems in the public sector (without participation in the implementation of the respective solutions by the beneficiaries).

GRX and GRX-A were consolidated in the financial statements from 12.31.2021 only at the balance sheet level. Starting with January 2022, GRX and GRX-A have been fully consolidated in the Group's financial statements.

The E-Learning Company S.A.

According to the mandate offered by the GMS since November 2020, Bittnet's management has completed the negotiations for the acquisition of 23% of the share capital of The E-Learning Company (ELC).

The total estimated value of the transaction amounts to 1.75 million lei.

The payment to the founders of E-Learning Company will be made in two stages, according to the Decision No. 6 of Bittnet' Extraordinary General Meeting of Shareholders of November 2020, by a mixture of cash and BNET shares:

- the first instalment amounting to Ron 850,000 was fully paid in cash, the amount of 450,000 during Q1 2020, and the rest in April 2021. Bittnet's management has decided to pay in full the 1st instalment in cash considering the long period of time for processing the operation of clearing with shares to the founders of the previous M&A transactions – the acquisition of 25% of Softbinator and 99% of Equatorial Gaming.
- The second instalment will be calculated at the beginning of the year 2022, subtracting from the transaction price the value of the first instalment.

The exact price of the transaction and the allocation between cash and compensation through BNET shares will be made according to the fulfilment of certain profitability indicators that ELC aims to obtain for the 2021 financial year. The actual number of shares to be issued shall be determined in accordance with the provisions of Article 210(2) of Law 31/1990 and Articles 87-88 of Law 24/2017 on issuers of financial instruments and market operations and Article 174 of FSA Regulation No. 5/2018. As a result of the investment contract, Bittnet has allocated a seat in the E-Learning Company's Board of Directors a position that will be occupied by Ivylon Management Srl through Logofatu Cristian. Bittnet decided to participate in the ELC with the aim of achieving certain minimum profitability limits, which is why, in the coming years, it will aim to obtain the dividends distribution so that Bittnet can achieve at least 18% annualised return provided that the ELC achieves a profitability level at least equal to this percentage.

Following the entry of Bittnet Systems into the shareholding, a loan agreement was signed by the parties, whereby the Issuer provided The E-Learning Company with the amount of Ron 240,000 for the financing of the working capital for a maximum period of 3 years and an interest of 10% per year. The E-Learning Company has a portfolio of various solutions and products structured on several directions that cover areas such as personal and professional development, communication, sales and negotiation, marketing, human resources, project management, Microsoft Office, finance, English language, etc.

Group's Management

On 29 January 2020, the General Shareholder Meeting approved the amendment of the articles of incorporation of the company in terms of its administration by a Board of Directors consisting of 3 members. The composition of the council is in accordance with the election results:

- 1) **Ivylon Management Srl** by **Mihai Alexandru Constantin Logofatu**. At the time of writing this note, Mihai Logofatu owns 57.870.621 shares, which represents 12.04% of the share capital and voting rights. Mihai Logofatu is the co-founder of Bittnet Systems.
- 2) **Cristian Ion Logofatu**, who owns 53.461.971 shares, which represents 11.13% 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 director, who owns 5,468,395 shares of the Issuer, meaning a percentage of 1.13% of the voting rights.

The operational management of Bittnet Systems is provided by: **Mihai Logofatu** – CEO and co-founder and **Adrian Stanescu** – CFO, together with **Cristian Herghelegiu** – Technology VP, who joined the executive at the time of the acquisition of Gecad Net – and **Dan Berteanu**, Education VP. The 4 persons are identified as key management from IFRS' perspective.

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

Starting with 2020, the Consultative Board has turned into the Strategic Development Committee with the same structure.

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, is presented the internal management reports, and the board members assist and guide the management of the Company in strategic decisions.

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

NOTA 2. BASIS FOR DRAFTING THE INTERIM REPORT

The Group's Financial Statements are prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("EU IFRS"), namely the Order of the Minister of Public Finance 2844/2016, as amended and supplemented, "for the approval of accounting regulations in accordance with International Financial Reporting Standards", the transition date being 1st of January 2016.

Consolidated reporting for **the 6 months period ended on 30 June 2022** was 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 financial statements according to IFRS and should be read in correlation with the annual financial statements for 2021.

The Group applied the same accounting policies and valuation methods in the interim reporting as for the annual financial statements. There are no significant implications in relation to the amendments to IFRS 16 regarding the Leasing Concessions.

There are a number of standards, amendments 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 judgements applied in the annual financial statements are assessed continuously and applied consistently based on the historical experience and other factors, including expectations regarding future events that are considered reasonable in the given circumstances. In the future, actual experience may differ from these estimates and assumptions. Estimates and assumptions that pose a material risk of generating a material adjustment to the carrying amounts of assets and liabilities in the following financial year are discussed below.

Essential Reasoning

- Revenue recognition – the principal/agent relationship;
- Recognition of the Bittnet brand;
- Recognition of the employee/collaborator loyalty program by offering actions – "SOP"
- Reclassification of Softbinator Technologies investment from equity securities into securities at fair value through the profit and loss account

Estimates and assumptions

- Valuation at fair value of financial assets held for sale
- Evaluation of the performance related to the employee/collaborator loyalty program by offering actions – "SOP";
- Adjustments evaluation for receivables impairment

NOTA 3. SIGNIFICANT EVENTS AND TRANSACTIONS

Economic context

The Coronavirus pandemic represented a serious threat to public health, and the Government instituted restrictions on natural and legal persons. The significant development and spread of the Coronavirus did not occur until January 2020. The impact on businesses and the measures adopted are presented below. Considering the exit from the state of alert and the lifting of the restrictions, it is expected that the impact for the financial year 2022 will be reduced.

Measures adopted

Using the technology solutions from the Dendrio portfolio, as of March 2020, approximately 90% of the Bittnet Group team is working from home, without significant interruptions to daily activities. This measure was taken for an 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 activity, and the work schedule will continue under conditions as close as possible to the usual schedule.

The impact on business

The event that marked the years 2020-2021 is the global Covid-19 pandemic, and the movement and activity restrictions ("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 about 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 so that a 'credit crunch' does not occur. The group closely monitors liquidity indicators - conversion of receivables into cash, transactions with customers and suppliers, etc.

The effects resulting from 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 recovery in component supply flows (processors/chips), starting from May 2021 this trend 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 will we be able to consider this situation over? Certainly not in the near future: <https://www.bloomberg.com/graphics/2021-chip-production-why-hard-to-make-semiconductors/>
- Human factors pressure – the global pandemic has introduced a flexibility in the way companies contract and interact with employees and collaborators. As more and more global projects are delivered with delocalized resources, geographic location is now only of purely fiscal significance. As a result, Romanian IT companies, including the companies from 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 in the last two years leads to a significant increase in the demand for expertise in the Cybersecurity space. Considering that Dendrio offers a wide spectrum of solutions and services in the area of cybersecurity, but also the fact that starting from August 2021 the technology division began 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.

Income cyclicity/seasonality

Historically, considering the seasonality of budgets and expenditure patterns in the IT&C sector in Romania and globally, Bittnet's most significant results have always been recorded in the last months of the year, namely in the 4th quarter of each year. We mention this aspect because during the entire period we were listed on AeRO, we published only half-yearly results, and investors did not have the opportunity to fully understand our performance from one quarter to the next.

Indicatively, in the history of the company, the results of the first nine months represented about 60% of the turnover of the year, and the 4th quarter, about 40%. This is due to the specificity of our clients, large, very large and even giant companies, which operate with annual budgets.

NOTA 4. INFORMATION ON BUSINESS SEGMENTS

Reporting by business segments shall be done in a manner consistent with internal reporting to the main operational decision maker. The main operational decision maker, who is responsible for allocating resources and evaluating the performance of business segments, has been identified as the Executive Management that takes the strategic decisions.

Bittnet Group operates on two key divisions: Education and Technology.

- **Education** - which currently consists of the IT training segment

The trainings provided by **Bittnet** and **Equatorial and CLC** allow the access of experts to technology by teaching IT skills, from the basic ones (e.g.: Microsoft Office Suite) to the most advanced (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 **Bittnet, Dendrio, Elian, IT Prepared, Nenos Software & Nolinear, ISEC Associates, GRX & GRX-A**. 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.

The gross margin is the main indicator that the Management follows in assessing the performance on each segment. Also, the sales costs are tracked on each segment, while other general and administrative costs have not been allocated.

OPERATIONAL RESULTS	6 months ended on 30 June 2021			6 months ended on 30 June 2020		
	Education	Technolog y	Total	Education	Technolog y	Total
Total income	11,667,159	59,549,618	71,216,778	5,764,787	42,562,022	48,326,809
Revenue between segments	(289,690)	(993,694)	(1,283,383)	-	(158,868)	(158,868)
Revenues from contracts with clients			69,933,39			
	11,377,470	58,555,925	4	5,764,787	42,403,154	48,167,941
Gross margin	4,142,669	13,734,883	17,877,553	3,172,838	7,392,249	10,565,088
	(2,095,460)	(3,854,322)	(5,949,782)		(2,695,440)	
Allocated selling costs)))	(1,569,127))	(4,264,568)
Margin, after selling costs	2,047,209	9,880,562	11,927,771	1,603,711	4,696,809	6,300,520
Other income	493,544	68,308	561,852	265,225	13,757	278,982
Unallocated operational expenses			(9,440,441)			(5,927,163)
			(3,729,087)			
Financial income / expenses)			1,386,593
Gross result			(679,905)			2,038,932

ASSETS / LIABILITIES	30 June 2022			30 June 2021		
	Education	Technology	Total	Education	Technolog y	Total
Assets per segment	37,291,292	93,311,042	129,602,334	21,489,767	83,715,450	105,205,218
Unallocated assets			24,473,810			27,310,857
			154,076,14			132,516,075
Total assets			3			
Segment liabilities	32,565,999	57,974,023	90,540,022	16,881,488	50,477,490	67,358,978
Unallocated liabilities			11,223,698			11,251,721
			101,764,72			78,610,699
Total liabilities			0			

NOTA 5. INCOME

	6 months ended at:	
	<u>30 June 2021</u>	<u>30 June 2020</u>
Training services	11,377,470	5,764,787
IT solutions integration services	21,279,269	9,631,810
Revenues from the provision of services	<u>32,656,739</u>	<u>15,396,596</u>
Sale of goods for IT solutions integration	21,520,238	17,054,572
Resold licenses	15,756,418	15,716,772
Sale of goods	<u>37,276,656</u>	<u>32,771,344</u>
Total	<u>69,933,394</u>	<u>48,167,941</u>

Training services

Revenues from training services include the access of experts to technology by teaching IT skills, from basic ones (eg.: Microsoft Office Suite) to the most 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 (courses of 2/4/6 hours, depending on the customer's need). Each student receives access to dedicated equipment, official curriculum, as well as to online and offline exams.

Revenues are recognized at a specific time, at the completion of the training as a result of the fulfillment of the execution obligation.

IT solutions integration services

The IT solutions provided by Group include: general consulting services, IT assessment services, implementation and migration services, maintenance and support services, infrastructure optimisation services. The integrator business involves offering solutions and services starting with the initial analysis, 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, upon implementation completion as a result of the fulfilment of the execution obligation.

Revenue from sales of goods and licenses

Revenues from the sale of goods and licenses are recognized when the customer gains control over the transferred assets.

Revenues from a geographical perspective

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

NOTA 6. EXPENSES CLASSIFICATION BY NATURE

The classification of total operating expenses, by nature, is detailed in the following table:

	6 months ended at:	
	30 June 2022	30 June 2021
Materials and merchandise	18,701,124	14,738,198
Resold licenses	12,739,119	12,900,697
Personnel expenses	10,177,598	4,276,832
Expenses with collaborators	8,363,938	5,632,859
Amortization	1,514,613	1,401,713
Cloud services	2,654,728	2,624,922
Rents	394,199	116,045
Commissions and fees	227,712	131,873
Advertising	1,160,502	878,975
Travel and transportation	105,969	40,252
Insurances	88,241	78,960
Postal services and telecommunications	83,117	57,704
Donations	203,428	57,191
Receivables adjustments	-	-
Bank charges	70,746	52,536
Third party services	10,016,653	4,452,369
Others	944,377	353,456
Total operational expenses	67,446,065	47,794,584

NOTA 7. FINANCIAL INCOME & EXPENSES

FINANCIAL INCOME	30 iunie 2022	30 iunie 2021
Interest Income	17,839	73,060
Investment Income	(594,140)	1,648,944
Income from securities valuation	(1,600,796)	886,048
Total	(2,177,098)	2,608,052

FINANCIAL EXPENSES	30 iunie 2022	30 iunie 2021
Bank interest	419,745	281,825
Factoring	1,212	14,950
Bonds interest	1,150,633	1,323,476
Leasing	176,900	102,757
Net income/expenses exchange rate	(103,637)	(53,515)
Total	1,644,853	1,669,492

NOTA 8. EQUIVALENT SECURITIES

a) Equivalent securities

	30 iunie 2022	31 dec 2021
E-Learning Company	2,738,174	1,996,840
Total	2,738,174	1,996,840

The E-Learning Company

In January 2021, 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 associated entity, namely in January 2021. In applying the equity method, financial information as of January 31, 2021 was used.

b) Other financial assets (securities) at fair value

	30 iunie 2022	31 dec 2021
Softbinator Technologies	13,619,354	15,270,453
Safetech Innovations	-	632,560
Arctic Stream	1,459,220	1,791,601
Chromosome Dynamics	223,267	225,270
Total	15,301,841	17,919,885

Softbinator Technologies

In December 2020, Bittnet Group acquired a 25% stake in Softbinator Technologies for the amount of 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, from 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 market launch 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, electronic commerce, online gaming and in 2020 ticked off areas unexplored 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 share listing (trading symbol: CODE) At the end of August 2021, Softbinator Technologies announced its intention to list on the AeRO market of the Bucharest Stock Exchange (under the trading symbol CODE) by the end of the year. Before the listing, Softbinator Technologies also announced its intention to carry out a private placement to attract capital in order to expand the company internationally. In order to carry out the private placement for the sale of shares, as well as in order to admit to trading on

the AeRO-SMT market of BVB for CODE shares, several pre-placement operations were carried out, as follows:

a) 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/splitting of the nominal value, new shares were issued for the benefit of the existing shareholders in a ratio of 9:1 (nine new shares issued for each share held on the date of registration). Following this operation, Bittnet Systems held a number of 225,000 shares, representing 25% of the 900,000 shares issued by Softbinator Technologies.

b) Increase in capital by 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 proportionally to the holdings of each of the shareholders. As a result of the increase, the Softbinator Technologies social capital reached a subscribed and paid capital of 100,000 lei, divided into 1,000,000 shares, and the Bittnet Systems shareholder 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. Following this operation, Bittnet Systems held a number of 250,000 shares, representing 25% of the total shares of Softbinator Technologies.

c) Transfer 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, i.e. all the 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 within the private placement. In this regard, the Bittnet Systems shareholder transferred to the Softbinator Technologies treasury a number of 25,000 CODE shares at a nominal value of 0.1 lei per share, for which he received a consideration 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 Softbinator Technologies shares, and 25% of the voting rights and participation in the benefits, taking into account that treasury shares do not have voting rights and do not 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 shares was made at the maximum placement price (60 lei per share), outside of the capital market mechanisms, and represents 3.602% of the share capital and Softbinator Technologies shares. Following these transactions, Bittnet Systems collected the amount of 2.16 million RON. Following these operations, Bittnet holds a number of 188,980 shares, representing 18.898% of the total shares of Softbinator Technologies.

e) Implementation of private placement

As part of the private placement, a total of 100,000 CODE shares, respectively 10% of the company's share capital (shares ceded by the 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. 143 individual and professional investors participated in the placement, and the offer closed early on the first day, against the background of almost 8 times oversubscription, investors placing orders in total value of over 49 million lei. The final

price per share was set at the maximum value of the offer, i.e. 60 lei. Following the processing of the transaction, Softbinator attracted a cash contribution of 6 million lei.

Softbinator shares are available for trading, on the AeRO SMT market, under the symbol CODE.

Essential considerations - Reclassification of Softbinator Technologies investment from equity-based securities to securities at fair value through the profit and loss account

Following the operations described above, the Bittnet Group reanalyzed 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 the direct access of Softbinator on the capital market by carrying out the private placement with CODE shares, the management of the Group took the decision to give up involvement in the management of the Softbinator Technologies activity. Otherwise, the 188,980 shares held on 30.09.2021, representing 18.898% of Softbinator Technologies' capital, will remain in the Group's portfolio for sale. Also, in December 2021, the Group formally relinquished the position held within the Board of Directors of Softbinator Technologies through Ivylon Management.

The group analyzed from the perspective of the provisions of IAS28, 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 within the Board of Directors of Softbinator Technologies;
- The Group does not participate in the process of making strategic decisions 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 common management;
- There is no essential technical information exchanged between the Group and Softbinator Technologies.

As such, the Group Management has come to the conclusion that it no longer exercises and does not intend to exercise a significant influence over Softbinator Technologies starting with 30.09.2021. As such, the Group decided to reclassify the remaining holding in Softbinator Technologies on 30.09.2021 as securities held at fair value. On 30.06.2022, the investment in Softbinator Technologies shares was revalued using the average trading price on the AeRO market from 30.06.2022.

Safetech Innovations

Fair value evaluation

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

Following the over-subscription of the Safetech offer almost 9 times, Bittnet was informed by the Broker (SSIF Tradeville) that it had been allocated a number of 72,895 SAFE shares, representing 2.3326% of the Safetech's share capital, which made the value of Bittnet's investment amount to Ron 291,580.00.

In January 2021, Safetech's shares entered into trading on the AeRO-SMT market under the SAFE trading symbol, at a price approximately 400% higher than the one in the private placement.

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

During the first quarter of 2022, the Group liquidated the rest of the holding in Safetech Innovations, so that at the end of the reporting period the Group no longer held SAFE shares in its portfolio.

Arctic Stream

Fair value evaluation

In June 2021, the Company's management invested in the private placement organized before the listing of the shares of Arctic Stream (AST) 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 in this market segment. The investment was made within the mandate that the executive management has according to the Articles of Incorporation and will be subject to the ratification of the shareholders in the General Meeting of Shareholders 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 from the first day of the placement and the massive over-subscription, the tender intermediary informed Bittnet that it had been allocated 74,632 shares of AST, which represents 1.78% of the share capital and 1.78% of the voting rights. The value of the investment in Arctic Stream shares amounts to Ron 1,865,800.

On July 29, 2021, the AST shares entered into trading on the AeRO market at a price approximately 40% higher than the one from the private placement.

On 06/30/2022, the investment in Arctic Stream shares was revalued using the average trading price on the AeRO market as of 06/30/2022.

Chromosome Dynamics

In August 2021, the Group's management decided to invest together with Impetum Group in a company that seeks 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 to the capital Social capital of Chromosome Dynamics amounts to 150,000 lei for 1.5% of shares and 1.5% of CHRD voting rights, including issue premiums. Later, Chromosome Dynamics carried out a private placement of shares with a view to listing on the AeRO-SMT market of the Bucharest Stock Exchange, which was concluded early. Within the offer, 111,929 CHRD shares were issued, with a total value of 3,357,870 lei, the price being 30 lei. The offer reached the threshold of success, being supplemented with another 882,870 lei. The date of the transaction was 04.10.2021, settlement taking place on 06.10.2021 through the Central Depository system. Following the private placement, Bittnet Systems owns 1.22% of CHRD shares and voting rights. Chromosome Dynamics develops solutions oriented towards the needs of farmers in order to process technology. CHRD is the

developer of the AGROBAZAR APP, which models the consulting-selling-buying process in agribusiness, representing a one stop shop for farmers in Romania. The application offers farmers consulting in agribusiness, agricultural machinery and inputs - seeds, pesticides, fertilizers, having up to now more than 10,000 active users. According to the investment agreement, the Bittnet group will have the first option to deliver technology projects together 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 from the private placement concluded in advance. CHRD shares entered trading on 05.05.2022 on the AeRO-SMT market of BVB. On 06/30/2022, the investment in CHRD shares was revalued using the average trading price on the AeRO market on 06/30/2022.

NOTA 9. EQUITY AND RESERVES

Details on the capital reserves of the Group are presented in the following table:

	30 June 2022	Dec/31/2021
Share capital	52,848,060	48,043,690
Agio on issue Legal reserves	9,738,583	14,542,953
Other equity items	(11,781,441)	(19,082,504)
Legal reserve	1,293,894	1,114,139
Carried forward result	7,942,492	(5,599,890)
Current global result	(2,617,443)	13,722,136
Total	57,424,145	52,740,525

a) Share capital

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

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

Shareholders and held %	30 June 2022	31Dec 2021
Mihai Logofatu	12,05%	12,05%
Cristian Logofatu	11,13%	11,13%
Others	76,82%	76,82%
Total	100%	100%

Increase of share capital by incorporation of reserves – July 2022

The share capital was increased by the amount of RON 4,804,369.10 by incorporating the issue premiums and issuing a number of free shares for the benefit of the shareholders from the date of registration (1 free share for every 10 held), according to ESSM Decision no. 2 of April 2022 and the additional voting procedures. Shareholders from the date of registration - July 21, 2022 - could opt online, between July 29 and August 4, to leave these new shares at the disposal of the Company to be used in the incentive programs for key persons, approved in previous years by the GMS, in this case receiving a cash distribution of RON 0.15 per 10 shares held on the date of registration. During the voting period, the Issuer received a number of 234 options from 234 shareholders, representing a total of 205,693,904 voting rights, i.e. 43.34% of the total voting rights of the Issuer. Among the options expressed, 105 shareholders representing 175,297,189 voting rights, i.e. 36.93% 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 will distribute to these shareholders the

amount of 2,629,453.80 lei starting on September 12, 2022, through the Central Depository system, with Banca Transilvania as payment agent. The Central Depository allocated, on 12.08.2022, the shares in Section 1 for the shareholders from the registration date who opted otherwise than for the cash distribution or did not undertake any voting steps during the voting period. Also at that time, the Central Depository charged a number of 17,529,692 treasury shares to the Issuer's account. Following this operation, the subscribed and paid-up capital of Bittnet, registered in the records of the Trade Register, ASF and the Central Depository, is 52,848,059.5 lei, divided into a number of 528,480,595 BNET shares, each with a nominal value of 0.1 lei .

Share capital increase by incorporation of reserves - July 2021

The share capital was increased by incorporating reserves and issue premiums according to Hot. AGEA no. 2 of April 2021 and of the CA Decision of 07/06/2021 and free shares were distributed: 6 new shares for every 10 shares held on the date of registration - July 21, 2021. The operation was completed in July 2021 with the loading into the accounts of trading by the shareholders of a number of 148,336,965 shares. Additionally, the share capital of Bittnet Systems was increased by issuing a number of free shares for the benefit of the shareholders from the date of registration (1 free share for every 10 held), according to AGEA Decision no. 3 of April 2021 and of the CA Decision of 07/06/2021. For the shares from point 2, shareholders from the date of registration - July 21, 2021 - could opt online, between July 26 and August 3, to leave these new shares at the disposal of the Company to be used in the incentive programs for individuals key, approved in previous years by the AGM, in this case receiving a cash distribution equal to the nominal value of the newly issued shares. During the voting 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. Among 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 1,626,109.60 lei starting on August 4, through the Central Depository system, with Banca Transilvania as payment agent. The Central Depository allocated, on 10.09.2021, the shares in Section 1 for the shareholders from the registration date who opted otherwise than for the cash distribution or did not take any steps during the opting period. Also at that time, the Central Depository charged a number of 16,261,096 treasury shares to the Issuer's account. Related to the operations to increase the share capital presented above, the Board of Directors (CA) issued a Decision on 06.07.2021 by which it was established to maintain the allocation ratio of 7 free shares to 10 held on the date of registration according to the mandate granted by the General Meeting of Shareholders of 27.04.2021 through AGEA Decisions no. 2 and 3. This decision was necessary considering that on the date of the convening of the AGM, the coordinates of the capital increase with free shares were applied to the entire share capital registered at that time in the records of the Trade Registry (ReCom) - 28,260,994.30 lei, respectively 282,609,943 shares - values resulting from the processing of capital increase operations decided in August 2020 and December 2020 and registered at ReCom since the end of 2020.

Share capital increase new contributions - February - March 2021

Between January and March 2021, an offer period took place within the capital increase with new cash contributions approved by EGSM Decision no. 4 of April 29, 2020. Thus, in Stage 1 - held between January 27 and February 25, 2021 - 17,359,142 new shares (95.49% of the total) were subscribed at a price of RON 0.59 per share. The offer price (composed of the nominal value plus the issue premium) was established according to the AGEA Decision and the formula approved by it for the issue premium: $[(\text{average trading price of the last 30 days}) / 1.2] - 0.1$. The shares left unsubscribed during the offer period were offered for subscription in a limited placement (Stage 2) which closed early due to the high interest and the small number of shares

(819,408 shares left unsubscribed after Stage 1). According to the law, the price from the private placement was higher than the price from Stage 1, respectively 0.60 lei per share. During the two stages of the capital increase operation, 18,178,550 new shares were subscribed, i.e. 100% of the issue, the Company raising financing in the amount of RON 10,733,538.58. Following the subscriptions of the 18,178,550 new shares, a number of allocation rights (symbol BNETRo9) equal to the total number of subscribed shares were allocated to the subscribers' accounts. The allocation rights entered the Transactions within the BVB Regulated Market starting on April 10, 2021 after receiving the CIIF and their registration in the ASF records as financial instruments. Following this operation, the subscribed and paid-up capital of the Company was increased by the amount of 1,817,855 lei (related to the nominal value of the newly issued shares). The amount of RON 8,915,683.58 (resulted by subtracting the amount of the increase of the social 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 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 increased share capital at Trade Register, 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.

b) Issuance premium

The share premiums were established on the occasion of the capital increases and can be used to increase the share capital in future operations.

c) Legal reserve

According to Law 31/1990, at least 5% of the profit for the formation of the reserve fund is taken over each year, until it reaches at least one fifth of the share capital. Reserves representing tax incentives cannot be distributed having implications on the recalculation of the profit tax.

d) Other equity items**Essential Reasoning – SOP Recognition and Evaluation**

The Group assessed from the perspective of IFRS 2 whether share-based payment transactions with employees (SOPs) are settled in cash or by issuing shares.

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

As a result, although in an intermediate stage the "debt" regarding the settlement of SOPs is evaluated, the economic substance of the transaction is that they are settled in shares. As a result, the Group recognized the SOP transactions as being settled in shares, and recognized and evaluated the services received in the Statement of Comprehensive Income and the corresponding increase directly in equity.

Significant estimates – SOP evaluation

The Company assessed from the perspective of IFRS 2 whether the payment transactions based on shares with employees (SOPs) are settled in cash or by issuing shares.

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

As a result, although in an intermediate stage the "debt" regarding the settlement of SOPs is evaluated, the economic substance of the transaction is that they are settled in shares. As a result, the Company acknowledges the SOP transactions as being settled in shares, and acknowledges and evaluates the services received in the Statement of Comprehensive Income and the corresponding increase directly in equity.

Transactions with employees and other contributors providing similar services were measured at the fair value of the equity instruments granted, as it was usually not possible to reliably estimate the fair value of the services received.

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

- spot price on the GMS date, i.e. the average price adjusted for splits at t-1
- strike price (at 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
- number of shares of the company as of the granting date
- dilution percentage of Stock Option Plan

The full value of each plan is recognized in costs for the duration of each plan.

SOP 2018

By the Decision of the Board of Directors no. 7/18.08.2020, the Board of Directors of the Company decided to increase the share capital by issuing 24,697,223 ordinary shares, nominative, dematerialised, of equal value and with a nominal value of Ron 0.1 each, in the account of the receivable held over the Company by the holders of options ("Key Persons") in accordance with the Incentive Plan of the key persons – Stock Option Plan approved by the Decision 12 of the General Meeting of Shareholders of April 25, 2018 and the 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 capital increased additionally by the amount of Ron 11,758,361.13 – share premiums. According to the incentive plan - SOP2018 - a total 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 December 31, 2017. During May 10, 2020 – June 10, 2020 (maturity of the option), the key persons exercised the option, the Company having the option to repurchase shares in the market or to operate a capital increase by which to issue to the holders of options a number of shares that equate (at the market price) with the financial value of the option for the holders of options. The value of the option, which is in the receivable on the Company, was certified by the extrajudicial accounting expertise report dated August 17, 2020.

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

The capital increase is made by lifting the right of preference also based on the Decision of the Board of Directors No. 7 of August 18, 2020 and in accordance with the attributions delegated by the Extraordinary

General Meeting of Shareholders by the Decisions No. 3 of April 25, 2018 and No. 1 of December 17, 2018, so that the newly issued shares can be allocated to the holders of the debt (as a result of SOP2018).

At the time of writing this Note, the operation is being registered with the Financial Supervisory Authority. After obtaining the new registration certificate of financial instruments (CIIF) from FSA, the Central Depository may allocate the shares issued in the global accounts of the key persons.

SOP 2019

By the Decision of the General Meeting of Shareholders No. 4 of 24 April 2019, the shareholders of the Company voted an incentive plan with options for key persons with a duration of 2 years, amounting to maximum 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 on 31 December 2018.

29 key persons exercised the option to buy a total 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 exercised options (9,072,821) accounted for 3.6698% of the Company's capital at the implementation date.

The settlement method of the incentive program with options in this way is a premiere and could be implemented as such due to the treasury shares loaded into the Company's account in December 2020. These actions were acquired by the Issuer following the implementation of the Decision of the General Meeting of Shareholders No. 3 of April 2020 and the special opt-in procedure carried out in the summer of last year. By this, the shareholders from the registration date July 21, 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 key persons.

SOP 2020A & SOP2020B

By Decision no. 3 of the OGSM of January 29, 2020 were voted: • the inclusion in the incentive plan with options of key persons, 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 president of the Board of Directors; and • the inclusion in the incentive plan with options of key persons, with a number of options equal to 0.75% of the total number of shares, annually, of the president of the Board of Directors. Additionally, by Decision no. 5 of the EGSM of April 29, 2020, the Company's shareholders voted for an incentive plan with options for key persons with a duration of 2 years, in the amount of a maximum of 5% of the Company's total shares. Within this incentive plan, 24 key persons notified the company regarding the purchase of a total number of 40,428,754 BNET shares according to the option contracts concluded within the incentive plans "SOP2020A" and "SOP2020B" approved by the above AGEA Decisions mentioned, hereinafter collectively referred to as "SOP2020". The exercise price of the options under SOP2020 was calculated, according to the approved incentive plans, taking as reference the market capitalization from 31.12.2019 for SOP2020A, i.e. the value of 113,000,000 RON, respectively the market capitalization from 21.04. 2020, for SOP2020B, i.e. the value of 101,445,399 RON. Thus, the resulting strike price is 0.235203 lei/share for SOP2020A, respectively 0.211152 lei/share for SOP2020B. Considering that the sums of money that should have been paid by the key persons to the company on account of the shares acquired under SOP2020 by exercising the options could have been paid by various methods, one of them being the sale in the market of a part representing the equivalent of approximately 65% of the shares that are the subject of SOP2020, and this additional volume could have unbalanced the balance between demand and supply, the Group's management made the decision that the

24 key people should be paid in shares the economic value of the options within the incentive program , i.e. a number of 26,020,845 shares. The economic value of the option is the difference between the market price and the purchase price from the SOP (strike price of the option), multiplied by the number of options. The total number of shares was calculated by dividing the economic value of the option at the price of 0.34 lei per share (the price approved by the GSM for running a buyback program). The allocation of the shares representing the counter value of the economic value of the option was made without the need for a cash consideration from the key persons. Thus, the 24 key persons were settled a number of 26,020,845 BNET shares, transferred by the Central Depository from among the Issuer's treasury shares.

SOP 2021

By the Decision no. 5 of the Extraordinary General Meeting of Shareholders of April 27, 2021, the shareholders of the Company voted an incentive plan with options for key persons with a duration of 2 years, amounting to maximum 5% of the total shares of the Company.

SOP2022

By Decision no. 7 of the AGM of April 20, 2022, the Company's shareholders voted for an incentive plan with options for key persons with a duration of 2 years, in the amount of a maximum of 5% of the Company's total shares.

NOTA 10. BONDS

Details regarding the bonds are presented in the following table:

	30 June 2022	Dec/31/2021
BNET23	4,680,635	4,661,869
BNET23A	9,606,866	9,540,798
BNET23C	9,941,667	9,841,667
Accrued interest	872,768	872,768
Total, including:	25,101,935	24,917,101
Long-term part	14,287,501	24,044,334
Short-term part (interest)	10,814,434	872,768

The group carried out in 2016, 2017 and 2018 offers of bonds maturing in 2019, 2022 and 2023 through which it obtained from the capital market an 'employed' financing of over RON 30 million (all issues are listed on BSE – AeRO-SMT-Bond Market).

BNET22

Between August 28 and September 8, 2017, Bittnet ran another bond sale offer through private placement according to AGEA decision no. 5 of April 26, 2017. 45,000 bonds were subscribed with a nominal value of 100 lei each, which raises the amount raised in the BNET22 issue to 4.5 million lei. Each bond bears fixed interest, 9% p.a. and the repayment of the principal will be made in September 2022. The subscriptions were made by 19 individual investors. BNET22 bonds were admitted to trading on the Bonds-ATS market of the Bucharest Stock Exchange on November 21, 2017. On 02 April 2021, Bittnet Systems notified the Market about the Decision of the Board of Directors dated 01.04.2021 to exercise the call option (callback) for the early and full redemption of the issue of BNET22 corporate bonds. According to the Memorandum of admission to trading on the SMT-Bonds market of BVB, the redemption price of the BNET22 issue was 100% of the nominal value, and the registration date for the identification of the bondholders whose instruments were redeemed was 05.06.2021. The actual payment date of the sums of money was set at 13.05.2021. Also, according to the BVB Code, BNET22 bonds were suspended from trading starting on 05.05.2021, and the last BNET22 trading session was 05.04.2021. The redemption value of the BNET22 issue included interest as a fraction of the coupon calculated for a number of days equal to the time interval from the date of payment of the last full coupon (Coupon 14 of 15.03.2021) and until the effective payment date of the nominal value of the issue redeemed, i.e. until 13.05.2021 inclusive. The management of the Company took the decision of early redemption of the BNET22 issue in order to reduce financial expenses with interests.

BNET23

On July 4, 2018, Bittnet successfully closed the third private placement of corporate bonds in the Company's history. As part of the private offer, which took place between June 26 and July 4, Bittnet attracted an investment of 4.7 million lei. Most of the borrowed capital was used to acquire a 51% stake in Elian Solutions and 25% in Equatorial Gaming, with the rest being used as working capital. The BNET23 bonds have a nominal value of 100 lei, a maturity of 5 years and an annual interest of 9%, payable quarterly. The placement was subscribed by 32 natural persons, 1 legal person and 3 open investment funds. Due to high interest, the offer was closed 9 days before the end of the subscription period, which was originally set for July 13. In accordance with the decision of the Extraordinary General Meeting of Shareholders of April 25, 2018, BNET23 bonds entered trading in November 2018 on the AeRO ATS-Bonds market operated by the Bucharest Stock Exchange, under the symbol BNET23.

BNET23A

On December 27, 2018, Bittnet successfully closed the fourth private placement of corporate bonds and the second of 2018. Following the BNET23A private placement, the Group obtained the amount of 9,703,700 lei from 20 natural person investors and one legal person. During the process, 21 transactions totaling a total of 97,037 registered, dematerialized, corporate, non-convertible, non-guaranteed bonds were settled through BVB mechanisms (POFBX market), with a nominal value of 100 lei/bond. The BNET23A bonds have a maturity of 5 years, a fixed interest rate of 9% per year, payable semiannually and the allocation date was 28.12.2018. The Group used the amounts raised in the BNET23A issue to finance the IT&C business transfer from Crescendo International SRL and its integration into the structure of the Bittnet Group, according to AGEA approval of December 17, 2018 and the investment contract described in the Current Report 10/22/15/2018. The BNET23A bond issue entered trading on the ATS-Bonds market of the Bucharest Stock Exchange on February 18, 2019.

BNET23C

Between January 14 and 18, 2019, the company carried out a private placement through which it made the 5th issue of bonds - BNET23C, through which it attracted subscriptions in the total amount of 10,000,000 lei, which represents 100,000 bonds, the maximum value of of the BNET23C issue, in accordance with the Sole Administrator's Decision and the Offer Document and according to the AGEA decision of April 25, 2018. BNET23C bonds are registered, dematerialized, corporate, non-convertible and non-guaranteed. The BNET23C bonds have a nominal value of 100 lei, a maturity of 4 years, and a fixed interest rate of 9% per year, payable semiannually. The intermediary syndicate for the sale was formed by 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 the current activity of the Bittnet Group. BNET23C bonds are tradable on the AeRO market starting with 17.04.2019.

NOTA 11. BANK LOANS

Details on bank loans are presented in the following table:

	<u>30 June 2022</u>	<u>Dec/31/2021</u>
ProCredit TL credits	3,109,094	4,400,494
ProCredit line 4.5 mill.	4,500,000	4,449,384
Raiffeisen (SME invest)	1,136,696	1,080,099
	<u>186,720</u>	<u>280,080</u>
Total, including:		
Long-term part	<u>8,932,511</u>	<u>10,210,058</u>
Short-term part	<u>5,253,893</u>	<u>6,327,926</u>

The bank lending structure of the group is mainly made up of revolving overdrafts aimed at short-term financing of specific projects. At the date of this report, the group has loans and overdrafts to finance the current activity in the amount of approximately 8,9 million RON 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.

NOTA 12. INFORMATION ON THE TRANSACTIONS WITH THE RELATED PARTIES

Details on balances and transactions with related parties are presented below.

The remunerations paid to the Key Management (identified in Note 1) are the following:

	6 months ended at:	
	30 June 2022	30 June 2021
Management contracts	442,046	171,279
SOP Expenses	209,672	242,807
Total	651,728	414,086
Liabilities	30 June 2022	Dec/31/2021 1
Key employees	78,690	62,093
Total	78.690	62.093
Receivables and loans	30 June 2022	Dec/31/2021
E-Learning Company – main loan	-	240,000
Total	-	21,304

The loan
to the E-

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. SUBSEQUENT EVENTS

I. Increase of share capital by reserves incorporation – July 2022

According to EGSM Decision no. 2 of 20.04.2022, the share capital was increased by the amount of 4,804,369.10 lei from the value of 48,043,690.40 lei, to the value of 52,848,059.50 lei, by incorporating the issue premiums and issuing a number of free shares for the benefit of shareholders from the date of registration (1 free share for every 10 held), according to EGSM Decision no. 2 of April 2022 and the additional voting procedures. Shareholders from the date of registration - July 21, 2022 - could opt online, between July 29 and August 4, to leave these new shares at the disposal of the Company to be used in the incentive programs for key persons, approved in previous years by the GSM, in this case receiving a cash distribution of 0.15 lei per 10 shares held on the date of registration. During the voting period, the Issuer received a number of 234 options from 234 shareholders representing a total of 205,693,904 voting rights, i.e. 43.34% of the total voting rights of the Issuer. Among the options expressed, 105 shareholders representing 175,297,189 voting rights, i.e. 36.93% 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 will distribute to these shareholders the amount of 2,629,453.80 lei starting on September 12, 2022, through the Central Depository system, with Banca Transilvania as payment agent. The Central Depository allocated, on 12.08.2022, the shares in Section 1 for the shareholders from the registration date who opted otherwise than for the cash distribution or did not undertake any voting steps during the voting period. Also at that time, the Central Depository charged a number of 17,529,692 treasury shares to the Issuer's account. Following this operation, the subscribed and paid-up capital of Bittnet, registered in the records of the Trade Register, ASF and the Central Depository, is 52,848,059.5 lei, divided into a number of 528,480,595 BNET shares, each with a nominal value of 0, 1 lei.

BITTNET SYSTEMS SA

INDIVIDUAL FINANCIAL STATEMENTS

In accordance with Order of the Minister of Public
Finance no. 2844/2016 with subsequent
amendments,
for 6 months ended on June 30, 2022

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Comprehensive Income Statement

	30 June 2022	30 June 2021
Revenue from customers	7,594,288	6,262,678
Sales costs	(3,416,797)	(3,555,814)
Gross margin	4,177,490	2,706,864
Other income	365,506	88,243
Selling expenses	(1,784,600)	(1,528,398)
General and administrative expenses	(3,173,749)	(1,995,220)
Profit/(loss) – Equity Method Holdings	92,864	448,033
Interest income	6,458,516	4,014,345
Financial expenses	(1,449,740)	(1,370,833)
Gross profit	4,686,287	2,363,034
Income tax	87,964	(339,050)
Net profit	4,774,251	2,023,984

The financial statements from page 3 to page 6 were approved and signed on August 25, 2022.

Mihai Logofatu
CEO

Adrian Stanescu
CFO

STAMENENT OF FINANCIAL POSITION

	30 June 2022	31 December 2021
ASSETS		
Fixed assets		
Goodwill	7,095,844	7,250,299
Tangible fixed assets	9,939,689	552,329
Equivalent titles	33,763,921	33,284,001
Other financial assets	27,235,569	19,961,036
Deferred tax	87,964	-
Total fixed assets	78,122,987	61,047,664
Current assets		
Inventories	39,106	18,496
Comercial and other receivables	11,098,527	6,021,902
Financial assets	15,301,841	17,919,885
Cash and cash equivalents	9,218,203	8,753,193
Total current assets	35,657,677	32,713,476
TOTAL ASSETS	113,780,663	93,761,140
EQUITY AND DEBT		
Share capital	52,848,060	48,043,690
Issue premiums	9,738,583	14,542,953
Other equity items	(18,568,463)	(19,082,504)
Reserves	947,402	947,402
Reported result	11,825,905	7,051,654
Total equity and reserves	56,791,486	51,503,195
Long-term debt		
Bonds	14,287,501	24,044,334
Long term loans	-	165,607
Leasing	15,789,648	550,256
Long-term debt	635,574	624,136
Deferred income tax liabilities	0	-
Long term debt	30,712,723	25,384,333
Current debts		
Bonds	10,814,434	872,768
Long term loans	655,429	965,120
Leasing	2,491,123	262,147
Profit tax liabilities	-	278,513
Comercial and other payables	12,315,468	14,495,065
Total current debts	26,276,454	16,873,613
Total debt	56,989,177	42,257,946
EQUITY AND DEBT - TOTAL	113,780,663	93,761,140

CASH FLOW STATEMENT

	For 6 months	
	30 June 2022	30 June 2021
Gross Profit	4,686,287	2,363,034
Adjustments for:		
Depreciation expenses	494,629	377,739
Expenses on assigned assets	-	(5,544)
Benefits granted to employees – SOP	543,725	401,249
Interest expenses and other financial costs	1,213,164	1,396,441
Interest income and other financial income	(723,395)	(655,233)
Earnings from investments	(5,576,882)	(2,511,393)
Equivalent titles	(92,864)	(448,033)
Operating profit before working capital change	544,665	918,259
Variation of receivables account balances	(2,806,721)	1,643,324
Variation of stock account balances	(20,610)	(159,059)
Variation in debt account balances	1,001,786	(1,992,173)
Cash generated from operation	(1,280,879)	410,351
Profit tax	(278,513)	(91,737)
Net cash from operating activities	(1,559,392)	318,614
Investment activities:		
Payments for the purchase of participation interests	(7,618,069)	(1,460,318)
Loans granted to related entities	7,859,959	
Acquisitions of tangible and intangible assets	1,559,364	(240,000)
Proceeds from other financial investments	(366,827)	(66,676)
Dividends received	423,108	(438,245)
Interest received	1,462,456	385,082
Net cash from investment activities	743,771	961,182
	4,063,763	(858,975)
Financing activities:		
Proceeds from the issue of shares	-	10,412,024
Sale of own shares	25,715	166,200
Repayments of bank loans	(475,299)	(499,288)
Receipts / repayments from the bond issue	-	(4,500,000)
Payments of debts related to financial leasing	(561,448)	(707,733)
Interest paid	(1,028,330)	(1,226,445)
Paid dividends	-	-
Net cash from financing activities	(2,039,361)	3,644,758
Net increase in cash and cash equivalents	465,009	3,104,397
Cash and cash equivalents at the beginning of the financial year	8,753,193	11,610,034
Cash and cash equivalents at the end of the financial year	9,218,203	14,714,432

SITUATIA MODIFICARILOR IN CAPITALURILE PROPRII

	Capital social	Prime de emisiune	Alte elemente de capitaluri proprii	Rezerve legale	Rezultat reportat	Total capitaluri
31 dec 2021	48,043,690	14,542,953	(19,082,504)	947,402	7,051,654	51,503,195
Profit net	-	-	-	-	4,774,251	4,774,251
Alte elemente ale rezultatul global	-	-	-	-	-	-
Total Rezultat global	-	-	-	-	4,774,251	4,774,251
Tranzactii cu actionarii	-	-	-	-	-	-
Majorari de capital social	4,804,369	(4,804,369)	(9,895)	-	-	(9,895)
Tranzactii actiuni proprii	-	-	(19,790)	-	-	(19,790)
Beneficii acordate angajaților SOP	-	-	543,725	-	-	543,725
Repartizare rezerva legala	-	-	-	-	-	-
30 iunie 2022	52,848,060	9,738,583	(18,568,463)	947,402	11,825,905	56,791,486
	Capital social	Prime de emisiune	Alte elemente de capitaluri proprii	Rezerve legale	Rezultat reportat	Total capitaluri
31 dec 2020	26,443,139	25,409,965	(19,893,997)	369,599	(1,539,361)	30,789,445
Profit net	-	-	-	-	2,023,984	2,023,984
Alte elemente ale rezultatul global	-	-	-	-	-	-
Total Rezultat global	-	-	-	-	2,023,984	2,023,984
Tranzactii cu actionarii	-	-	-	-	-	-
Majorare de capital social	21,600,551	(10,867,013)	(321,515)	-	-	10,412,024
Tranzactii actiuni proprii	-	-	2,033,080	-	-	2,033,080
Beneficii acordate angajaților SOP	-	-	401,249	-	-	401,249
Repartizare rezerva legala	-	-	-	72,879	(72,879)	-
30 iunie 2021	48,043,690	14,542,953	(17,781,183)	442,477	411,845	45,659,782

NOTA 1. GENERAL INFORMATION

Group and operational activities structure

The financial statements include the consolidated financial information of the parent company Bittnet Systems (the "Issuer"), with its registered office in Str. Sergent Ion Nutu, nr. 44, One Cotroceni Park, Corp A & B, 4 floor, District 5, Bucharest, and the following subsidiaries, all subsidiaries being registered in Romania:

	30 Jun 2022	31 Dec 2021
Subsidiary - %		
Dendrio Solutions	88,001%	100%
Elian Solutions	51.02%	51.02%
Equatorial Gaming	98.99%	98.99%
Equatorial Training, prin 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, prin Global Resolution Experts	60%	60%
MINORITY INTERESTS		
E-Learning Company	23%	23%

The group has over 200 employees and collaborators, working for one of the 5 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 by the acquisition method. In the financial position statement, the identifiable assets, liabilities, and contingent liabilities of the acquirer are initially recognized at their fair values at the acquisition date. The results of the purchased operations are included in the consolidated statement of comprehensive result from the date of obtaining the 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 si GRX Advisory – Decembrie 2021).

Bittnet Systems SA – unique registration code 211818481

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

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

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

In 2016, the company created a new area of competence by introducing advisory 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 new group of customers with a slightly different profile. Throughout 2017, the company continued to invest in the increase and diversification of the technical skills specific to AWS and Azure in order to be able to respond to the received requests.

Since April 2018, the new structure of the group has been adopted and the Bittnet Group business structure has been reorganized in 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 trainers team in Romania.

The trainings provided by Bittnet allow the access of experts to technology by teaching IT skills, from the basic ones (e.g.: Microsoft Office Suite) to the most advanced (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 **Bittnet**, **Dendrio** and **Elian**. 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 (BNET symbol) are listed on the BVB Regulated Market.

Dendrio Solutions - unique registration code 11973883

During 2017, Bittnet Group acquired GECAD NET from 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 optimisation 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, as well as an extensive portfolio of clients, products and services.

In June 2022, Bittnet Systems informed the Market, through current report no. 25/14.06.2022, that an institutional investor was co-opted in the shareholding of Dendrio Solutions SRL. The operation was carried out by selling an 11.999% stake in Dendrio to the investment fund Agista Investments for the amount of RON 7,499,982.76. Considering the transaction price, the market valuation of the IT&C integrator Dendrio Solutions amounts to RON 62.5 million. With the addition of Agista as a shareholder, Dendrio starts the road to becoming a public company through the capital market either through a private placement or an initial

public offer at BSE, or through a merger procedure with a company listed on a regulated market or on a SMT from a European Union member country.

Elian Solutions - SOLE REGISTRATION CODE 23037351

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

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

Equatorial Gaming - SOLE REGISTRATION CODE 30582237

In 2018, the Group purchased a significant package in the gaming-based learning company, Equatorial Gaming. Following the acquisition, the Equatorial activities were integrated into the **Education** division.

In August 2020, Bittnet activated the option to convert the Ron 1,050,000 loan granted in 2018 to Equatorial Gaming, the equivalent of 20.1% of the share capital. In November 2020, Bittnet's shareholders approved the purchase of a number of registered shares representing 60.3665% of Equatorial Gaming SA' share capital. As a result of these operations, Bittnet Systems has reached a 98.99% ownership of Equatorial Gaming SA' share capital.

Equatorial, a *game-based learning* company is specialized in providing transformer training and consulting programs at individual, team and organizational level in Romania and abroad. In 2015, the company invented and launched the Equatorial Marathon, an Alternate Reality Game for corporations, which increases engagement and stimulates employees' behavioural changes. In 2018, Equatorial launched a new product: VRrunners, an evolution for mobile platforms of the Marathon application. In 2019, Equatorial released 2 new games: White Hat and the Bona Fidae Agency.

Computer Learning Center & ISEC Associates

In August 2021, the Group informed investors about the signing of share sale-purchase contracts for the takeover of the cyber security company - ISEC Associates SRL and the IT training company - Computer Learning Center. The purchase price for 100% of the Computer Learning Center (CLC) company was RON 725,000, the amount which was settled in 2 tranches: the first tranche, worth RON 225,000, was paid during August 2021, and tranche 2 - in the amount of RON 500,000, conditional on the removal from CLC's patrimony of assets that are not relevant for the company's current activity (noncore assets) - was paid in January 2022.

Bittnet Group thus strengthens its Education Division and expands the portfolio of certifications, especially in the cyber security sector. The company collaborates with over 30 certified trainers and has delivered over 2,500 courses to 15,000 participants in recent years. Following the entry of Bittnet Systems into the shareholding, a loan agreement was signed by the parties in September 2021 by which the Issuer made available to Computer Learning Center the amount of RON 560,000 for 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 in the period October 2021 - February 2022.

The purchase price for 69.99% of ISEC Associates was RON 295,000, the amount which was paid in one installment, by bank transfer, to the founding shareholder, Alexandru Andriescu. ISEC Associates is a company founded in 2003, specializing in cyber security audit, consulting and testing services. ISEC helps companies identify, secure and manage information security. By acquiring ISEC, Bittnet is developing its position on the cyber security market. Following the entry of Bittnet Systems into the shareholding, a loan agreement was signed by the parties through which the Issuer made available to ISEC Associates the sum of RON 370,000 for financing the working capital for a maximum period of 3 years and an interest rate of 9% per year. The loan was increased to the amount of RON 470,000 in February 2022.

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

IT Prepared

In August 2021, Bittnet informed the investors and the Market about the closing negotiations and signing of the agreement for acquisition of a majority stake in the IT Prepared SRL company. The transaction price amounts to USD 776,290 for 50.2% of the company and will be paid through a mix of cash and BNET shares in 3 tranches as follows:

- The first tranche, in the amount of USD 265,200, was paid in RON immediately after the signing of the share purchase agreement, by bank transfer to the two founding shareholders of IT Prepared;
- Tranches 2 and 3, in the amount of USD 368,290 (the updated amount following the closing of the IT Prepared financial statements on 12/31/2021), respectively USD 142,800 (the amount to be updated following the closing of the IT Prepared financial statements on 12/31/2022), will be paid to the founders of IT Prepared by settlement in BNET shares in a future capital increase operation. The actual number of shares to be issued will be determined in accordance with the provisions of art. 210(2) of Law 31/1990 and art. 87-88 of Law 24/2017 regarding issuers of financial instruments and market operations and art. 174 of the ASF Regulation no. 5/2018.

The transaction of taking over the majority stake in ITPrepared SRL was approved by the Shareholders in EGSM on November 26, 2020. Taking into account that the financial and operational situation of IT Prepared SRL changed between the moment of approval granted by EGSM and the moment of signing the investment agreement, the parameters of the transaction were renegotiated in favor of Bittnet, the final valuation being reduced by half (thus Bittnet took over the majority package), and the payment being dependent on the confirmation of positive operational results in 2021 and 2022. ITPrepared SRL was consolidated in the financial statements starting from September 2021.

Nenos Software & Nonlinear

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

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

- 50% of the transaction price (the amount of 2,425,000 lei) was paid by bank transfer to the sole associate of Nenos Software;

- 50% of the transaction value will be settled through the allocation of Bittnet shares to an operation that will be completed through a capital increase. The actual number of BNET shares that will be issued will be determined in accordance with the provisions of art. 210(2) of Law 31/1990 and art. 87-88 of Law 24/2017 regarding issuers of financial instruments and market operations and art. 174 of the ASF Regulation no. 5/2018.

For the purchase of 60% of the company Nonlinear SRL, the transaction price is RON 120 and is equal to the nominal value of the transferred shares. In 2020, Nonlinear had a turnover of RON 392,442 and a net profit of RON 115,018, employing 4 programmers.

In 2021, Nonlinear signed a non-refundable financing contract for the development of a digitization product, intended for SMEs and micro-enterprises, which will allow the automation of some HR, accounting, invoicing, etc. processes. The product is a no-code platform where process automation can be done by employees without programming knowledge. The non-refundable financing is 1.5 million EUR, with an own contribution of 0.5 million EUR.

By taking over the majority shares in Nenos Software SRL and Nonlinear SRL, Bittnet strengthens its position in the software development division, also entering the artificial intelligence sector. Nenos Software and Nonlinear were consolidated in the financial statements starting 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 services company in the area of cybersecurity, which offers penetration tests, but also design, implementation and maintenance of cybersecurity solutions. GRX fully owns GRX Advisory SRL (CUI 43813325), with similar services.

The Group initially acquired, in December 2021, a 74% stake in the shares of the "mother" company - GRX, and later at the end of 2021 it attracted a number of financial 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 were paid in December 2021 and RON 6,275,200 were paid between March and April 2022, after the completion of the audit for the financial results of 2021. The sale price for 14% of the shares held in GRX was RON 3,472,631, the amount received in full in December 2021 – January 2022. The services offered by GRX are similar to those offered by ISEC: professional services in the area of cybersecurity: IT compliance audit, Penetration test services for Web applications and IT infrastructure, for beneficiaries from Romania and the European Union; Design, implementation and maintenance services of IT management systems and informational security for compliance with ISO27001, ISO9001, ISO20000 standards; Design services of controls and IT security systems to be implemented (VPN, Antivirus/AntiX, DLP, NAC, IDS/IPS); Architectural design services for IT infrastructure technical solutions regarding the integration of financial IT systems in the Public Cloud; Architectural design services of technical IT infrastructure solutions for the implementation of complex IT systems in the public sector (without participation in the implementation of the respective solutions by the beneficiaries).

GRX and GRX-A were consolidated in the financial statements from 12.31.2021 only at the balance sheet level. Starting with January 2022, GRX and GRX-A have been fully consolidated in the Group's financial statements.

The E-Learning Company S.A.

According to the mandate offered by the GMS since November 2020, Bittnet's management has completed the negotiations for the acquisition of 23% of the share capital of The E-Learning Company (ELC).

The total estimated value of the transaction amounts to 1.75 million lei.

The payment to the founders of E-Learning Company will be made in two stages, according to the Decision No. 6 of Bittnet' Extraordinary General Meeting of Shareholders of November 2020, by a mixture of cash and BNET shares:

- the first instalment amounting to Ron 850,000 was fully paid in cash, the amount of 450,000 during Q1 2020, and the rest in April 2021. Bittnet's management has decided to pay in full the 1st instalment in cash considering the long period of time for processing the operation of clearing with shares to the founders of the previous M&A transactions – the acquisition of 25% of Softbinator and 99% of Equatorial Gaming.
- The second instalment will be calculated at the beginning of the year 2022, subtracting from the transaction price the value of the first instalment.

The exact price of the transaction and the allocation between cash and compensation through BNET shares will be made according to the fulfilment of certain profitability indicators that ELC aims to obtain for the 2021 financial year. The actual number of shares to be issued shall be determined in accordance with the provisions of Article 210(2) of Law 31/1990 and Articles 87-88 of Law 24/2017 on issuers of financial instruments and market operations and Article 174 of FSA Regulation No. 5/2018. As a result of the investment contract, Bittnet has allocated a seat in the E-Learning Company's Board of Directors a position that will be occupied by Ivylon Management Srl through Logofatu Cristian. Bittnet decided to participate in the ELC with the aim of achieving certain minimum profitability limits, which is why, in the coming years, it will aim to obtain the dividends distribution so that Bittnet can achieve at least 18% annualised return provided that the ELC achieves a profitability level at least equal to this percentage.

Following the entry of Bittnet Systems into the shareholding, a loan agreement was signed by the parties, whereby the Issuer provided The E-Learning Company with the amount of Ron 240,000 for the financing of the working capital for a maximum period of 3 years and an interest of 10% per year. The E-Learning Company has a portfolio of various solutions and products structured on several directions that cover areas such as personal and professional development, communication, sales and negotiation, marketing, human resources, project management, Microsoft Office, finance, English language, etc.

Group's Management

On 29 January 2020, the General Shareholder Meeting approved the amendment of the articles of incorporation of the company in terms of its administration by a Board of Directors consisting of 3 members. The composition of the council is in accordance with the election results:

- 1) **Ivylon Management Srl** by **Mihai Alexandru Constantin Logofatu**. At the time of writing this note, Mihai Logofatu owns 57.870.621 shares, which represents 12.04% of the share capital and voting rights. Mihai Logofatu is the co-founder of Bittnet Systems.
- 2) **Cristian Ion Logofatu**, who owns 53.461.971 shares, which represents 11.13% 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 director, who owns 5,468,395 shares of the Issuer, meaning a percentage of 1.13% of the voting rights.

The operational management of Bittnet Systems is provided by: **Mihai Logofatu** – CEO and co-founder and **Adrian Stanescu** – CFO, together with **Cristian Herghelegiu** – Technology VP, who joined the executive at the time of the acquisition of Gecad Net – and **Dan Berteanu**, Education VP. The 4 persons are identified as key management from IFRS' perspective.

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

Starting with 2020, the Consultative Board has turned into the Strategic Development Committee with the same structure.

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, is presented the internal management reports, and the board members assist and guide the management of the Company in strategic decisions.

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

NOTA 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company's stand alone financial statements are prepared in accordance with the 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 being January 1, 2016.

The unconsolidated reporting for the 6-month period ended June 30, 2021 has been prepared in accordance with IAS 34 for "Interim Financial Reporting". This report does not include all information and disclosures that would be required in a complete set of IFRS financial statements and should be read in conjunction with the 2020 annual financial statements.

The Company 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 Company has decided not to adopt in advance. The Company 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 continuously evaluated and consistently applied based on historical experience and other factors, including expectations regarding 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 generating a material adjustment to the carrying amounts of assets and liabilities in the following financial year are discussed below.

Essential reasoning

- Income recognition - main/agent relationship;
- Bittnet brand recognition;
- Recognition of the loyalty program for employees/collaborators by offering actions in Stock Option Plans (SOP)
- Reclassification of Softbinator Technologies investment from equity securities into securities at fair value through the profit and loss account

Estimates and assumptions

- the fair value measurement of financial assets held for sale;
- Evaluation of the consideration related to the loyalty program of employees/collaborators by offering shares - "SOP";
- Evaluation of adjustments for impairment of receivables.

NOTA 3. SIGNIFICANT EVENTS AND TRANSACTIONS**Economic context**

The event that marked the year 2020 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.

Measures adopted

Using the technology solutions from the Dendrio portfolio, as of March 2020, approximately 90% of the Bittnet Group team is working from home, without significant interruptions to daily activities. This measure was taken for an 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 activity, and the work schedule will continue under conditions as close as possible to the usual schedule.

The impact on business

The event that marked the years 2020-2021 is the global Covid-19 pandemic, and the movement and activity restrictions ("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 about 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 so that a 'credit crunch' does not occur. The group closely monitors liquidity indicators - conversion of receivables into cash, transactions with customers and suppliers, etc.

The effects resulting from 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 recovery in component supply flows (processors/chips), starting from May 2021 this trend 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 will we be able to consider this situation over? Certainly not in the near future: <https://www.bloomberg.com/graphics/2021-chip-production-why-hard-to-make-semiconductors/>
- Human factors pressure – the global pandemic has introduced a flexibility in the way companies contract and interact with employees and collaborators. As more and more global projects are delivered with delocalized resources, geographic location is now only of purely fiscal significance. As a result, Romanian IT companies, including the companies from 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 in the last two years leads to a significant increase in the demand for expertise in the Cybersecurity space. Considering that Dendrio offers a wide spectrum of solutions and services in the area of cybersecurity, but also the fact that starting from

August 2021 the technology division began 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.

Income cyclicity/seasonality

Historically, considering the seasonality of budgets and expenditure patterns in the IT&C sector in Romania and globally, Bittnet's most significant results have always been recorded in the last months of the year, namely in the 4th quarter of each year. We mention this aspect because during the entire period we were listed on AeRO, we published only half-yearly results, and investors did not have the opportunity to fully understand our performance from one quarter to the next.

Indicatively, in the history of the company, the results of the first nine months represented about 60% of the turnover of the year, and the 4th quarter, about 40%. This is due to the specificity of our clients, large, very large and even giant companies, which operate with annual budgets.

NOTA 4. REVENUES FROM CUSTOMER CONTRACTS

Revenues from customer contracts are detailed in the following table:

	6 months:	
	30 June 2022	30 June 2021
Training services	7,305,637	4,565,458
IT solutions integration services	153,638	354,831
Revenues from the provision of services	7,459,275	4,920,289
Selling goods integrating IT solutions	35,072	812,101
Resold licenses	99,941	530,288
Sale of goods	135,013	1,342,389
Total	7,594,288	6,262,678

Training services

Revenues from training services include expert access to technology by teaching IT skills, from basic (eg Microsoft Office Suite) to the most 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 need). 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 solutions integration services

The IT solutions provided by the Company include: general consulting services, IT evaluation 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.

Revenues from the sale of goods and licenses

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

Income from a geographical perspective

Revenues are significantly provided and goods delivered to entities in Romania.

NOTA 5. CLASSIFICATION OF EXPENSES BY NATURE

The classification of total operational expenses, by nature, is detailed in the following table:

	6 months:	
	30 June 2022	30 June 2021
Materials and goods	249,472	837,097
Resold licenses	81,663	409,244
Staff expenditure	1,345,015	916,017
Expenses with collaborators	1,801,553	1,681,694
Amortization	494,629	377,739
Cloud services	41,512	196,282
Rent	15,046	613
Commissions and fees	133,595	99,669
Marketing	470,251	507,024
Travel and transportation	4,276	2,684
Insurance	19,207	15,239
Postal and telecommunications	18,952	22,682
Donations	188,197	57,191
Receivables adjustments	-	-
Bank charges	20,393	18,447
Services provided by third parties	3,038,425	1,857,860
Other expenses	452,960	79,951
Total operating expenses	8,375,147	7,079,432

NOTA 6. TITLES OF PARTICIPATION

	30 iun 2022	31 dec 2021
Dendrio Solutions	6,394,376	7,266,254
Elian Solutions	510,000	510,000
Equatorial Gaming	4,646,000	4,646,000
Computer Learning Center	866,001	866,001
ISEC Associates	436,001	436,001
IT Prepared	3,346,924	2,883,421
Nenos Software & Nonlinear	4,985,939	4,985,939
Global Resolution Experts	9,706,286	9,693,544
Total	30,891,527	31,287,160

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Dendrio Solutions - CUI 11973883

During 2017, Bittnet acquired GECAD NET from 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, as well as an extensive portfolio of customers, products and services.

In June 2022, Bittnet Systems announced to the Market through current report no. 25/14.06.2022 that an institutional investor was co-opted in the shareholding of Dendrio Solutions SRL. The operation was carried out by selling an 11.999% stake in Dendrio to the investment fund Agista Investments for the amount of RON 7,499,982.76. Considering the transaction price, the market valuation of the IT&C integrator Dendrio Solutions amounts to 62.5 million lei. With the addition of Agista as a shareholder, Dendrio starts the road to listing on the capital market either through a private placement or an initial public offer at BVB, or through a merger procedure with a company listed on a regulated market or on a multilateral system of trading from a member country of the European Union.

Elian Solutions - SOLE REGISTRATION CODE 23037351

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

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

Equatorial Gaming - SOLE REGISTRATION CODE 30582237

In 2018, the Group purchased a significant package in the gaming-based learning company, Equatorial Gaming. Following the acquisition, the Equatorial activities were integrated into the **Education** division.

In August 2020, Bittnet activated the option to convert the Ron 1,050,000 loan granted in 2018 to Equatorial Gaming, the equivalent of 20.1% of the share capital. In November 2020, Bittnet's shareholders approved the purchase of a number of registered shares representing 60.3665% of Equatorial Gaming SA' share capital. As a result of these operations, Bittnet Systems has reached a 98.99% ownership of Equatorial Gaming SA' share capital.

Equatorial, a *game-based learning* company is specialized in providing transformer training and consulting programs at individual, team and organizational level in Romania and abroad. In 2015, the company invented and launched the Equatorial Marathon, an Alternate Reality Game for corporations, which increases engagement and stimulates employees' behavioural changes. In 2018, Equatorial launched a new product: VRrunners, an evolution for mobile platforms of the Marathon application. In 2019, Equatorial released 2 new games: White Hat and the Bona Fidae Agency.

Computer Learning Center & ISEC Associates

In August 2021, the Group informed investors about the signing of share sale-purchase contracts for the takeover of the cyber security company - ISEC Associates SRL and the IT training company - Computer Learning Center. The purchase price for 100% of the Computer Learning Center (CLC) company was RON 725,000, the amount which was settled in 2 tranches: the first tranche, worth RON 225,000, was paid during August 2021, and tranche 2 - in the amount of RON 500,000, conditional on the removal from CLC's patrimony of assets that are not relevant for the company's current activity (noncore assets) - was paid in January 2022.

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- Tranches 2 and 3, in the amount of USD 368,290 (the updated amount following the closing of the IT Prepared financial statements on 12/31/2021), respectively USD 142,800 (the amount to be updated following the closing of the IT Prepared financial statements on 12/31/2022), will be paid to the founders of IT Prepared by settlement in BNET shares in a future capital increase operation. The actual number of shares to be issued will be determined in accordance with the provisions of art. 210(2) of Law 31/1990 and art. 87-88 of Law 24/2017 regarding issuers of financial instruments and market operations and art. 174 of the ASF Regulation no. 5/2018.

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For the purchase of 60% of the company Nonlinear SRL, the transaction price is RON 120 and is equal to the nominal value of the transferred shares. In 2020, Nonlinear had a turnover of RON 392,442 and a net profit of RON 115,018, employing 4 programmers.

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GRX and GRX-A were consolidated in the financial statements from 12.31.2021 only at the balance sheet level. Starting with January 2022, GRX and GRX-A have been fully consolidated in the Group's financial statements.

B) Minority interests

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The total estimated value of the transaction amounts to 1.75 million lei.

The payment to the founders of E-Learning Company will be made in two stages, according to the Decision No. 6 of Bittnet' Extraordinary General Meeting of Shareholders of November 2020, by a mixture of cash and BNET shares:

- the first instalment amounting to Ron 850,000 was fully paid in cash, the amount of 450,000 during Q1 2020, and the rest in April 2021. Bittnet's management has decided to pay in full the 1st instalment in cash considering the long period of time for processing the operation of clearing with shares to the founders of the previous M&A transactions – the acquisition of 25% of Softbinator and 99% of Equatorial Gaming.
- The second instalment will be calculated at the beginning of the year 2022, subtracting from the transaction price the value of the first instalment.

The exact price of the transaction and the allocation between cash and compensation through BNET shares will be made according to the fulfilment of certain profitability indicators that ELC aims to obtain for the 2021 financial year. The actual number of shares to be issued shall be determined in accordance with the provisions of Article 210(2) of Law 31/1990 and Articles 87-88 of Law 24/2017 on issuers of financial instruments and market operations and Article 174 of FSA Regulation No. 5/2018. As a result of the investment contract, Bittnet has allocated a seat in the E-Learning Company's Board of Directors a position that will be occupied by Ivylon Management Srl through Logofatu Cristian. Bittnet decided to participate in the ELC with the aim of achieving certain minimum profitability limits, which is why, in the coming years, it will aim to obtain the dividends distribution so that Bittnet can achieve at least 18% annualised return provided that the ELC achieves a profitability level at least equal to this percentage.

Following the entry of Bittnet Systems into the shareholding, a loan agreement was signed by the parties, whereby the Issuer provided The E-Learning Company with the amount of Ron 240,000 for the financing of the working capital for a maximum period of 3 years and an interest of 10% per year. The E-Learning Company has a portfolio of various solutions and products structured on several directions that cover areas such as personal and professional development, communication, sales and negotiation, marketing, human resources, project management, Microsoft Office, finance, English language, etc.

c) Other financial assets (securities) at fair value

	30 iunie 2022	31 dec 2021
Softbinator Technologies	13,619,354	15,270,453
Safetech Innovations	-	632,560
Arctic Stream	1,459,220	1,791,601
Chromosome Dynamics	223,267	225,270
Total	15,301,841	17,919,885

Softbinator Technologies

In December 2020, Bittnet Group acquired a 25% stake in Softbinator Technologies for the amount of 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, from 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 market launch 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, electronic commerce, online gaming and in 2020 ticked off areas unexplored 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 share listing (trading symbol: CODE) At the end of August 2021, Softbinator Technologies announced its intention to list on the AeRO market of the Bucharest Stock Exchange (under the trading symbol CODE) by the end of the year. Before the listing, Softbinator Technologies also announced its intention to carry out a private placement to attract capital in order to expand the company internationally. In order to carry out the private placement for the sale of shares, as well as in order to admit to trading on the AeRO-SMT market of BVB for CODE shares, several pre-placement operations were carried out, as follows:

a) 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/splitting of the nominal value, new shares were issued for the benefit of the existing shareholders in a ratio of 9:1 (nine new shares issued for each share held on the date of registration). Following this operation, Bittnet Systems held a number of 225,000 shares, representing 25% of the 900,000 shares issued by Softbinator Technologies.

b) Increase in capital by 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 proportionally to the holdings of each of the shareholders. As a result of the increase, the Softbinator Technologies social capital reached a subscribed and paid capital of 100,000 lei, divided into 1,000,000 shares, and the Bittnet Systems shareholder 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. Following this operation, Bittnet Systems held a number of 250,000 shares, representing 25% of the total shares of Softbinator Technologies.

c) Transfer 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, i.e. all the 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 within the private placement. In this regard, the Bittnet Systems shareholder transferred to the Softbinator Technologies treasury a number of 25,000 CODE shares at a nominal value of 0.1 lei per share, for which he received a consideration 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 Softbinator Technologies shares, and 25% of the voting rights and participation in the benefits, taking into account that treasury shares do not have voting rights and do not 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 shares was made at the maximum placement price (60 lei per share), outside of the capital market mechanisms, and represents 3.602% of the share capital and Softbinator Technologies shares. Following these transactions, Bittnet Systems collected the amount of 2.16 million RON. Following these operations, Bittnet holds a number of 188,980 shares, representing 18.898% of the total shares of Softbinator Technologies.

e) Implementation of private placement

As part of the private placement, a total of 100,000 CODE shares, respectively 10% of the company's share capital (shares ceded by the 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. 143 individual and professional investors participated in the placement, and the offer closed early on the first day, against the background of almost 8 times oversubscription, investors placing orders in total value of over 49 million lei. The final price per share was set at the maximum value of the offer, i.e. 60 lei. Following the processing of the transaction, Softbinator attracted a cash contribution of 6 million lei.

Softbinator shares are available for trading, on the AeRO SMT market, under the symbol CODE.

Essential considerations - Reclassification of Softbinator Technologies investment from equity-based securities to securities at fair value through the profit and loss account

Following the operations described above, the Bittnet Group reanalyzed 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 the direct access of Softbinator on the capital market by carrying out the private placement with CODE shares, the management of the Group took the decision to give up involvement in the management of the Softbinator Technologies activity. Otherwise, the 188,980 shares held on 30.09.2021, representing 18.898% of Softbinator Technologies' capital, will remain in the Group's portfolio for sale. Also, in December 2021, the Group formally relinquished the position held within the Board of Directors of Softbinator Technologies through Ivylon Management.

The group analyzed from the perspective of the provisions of IAS28, 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 within the Board of Directors of Softbinator Technologies;
- The Group does not participate in the process of making strategic decisions 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 common management;
- There is no essential technical information exchanged between the Group and Softbinator Technologies.

As such, the Group Management has come to the conclusion that it no longer exercises and does not intend to exercise a significant influence over Softbinator Technologies starting with 30.09.2021. As such, the Group decided to reclassify the remaining holding in Softbinator Technologies on 30.09.2021 as securities held at fair value. On 30.06.2022, the investment in Softbinator Technologies shares was revalued using the average trading price on the AeRO market from 30.06.2022.

Safetech Innovations

Fair value evaluation

In October 2020, the Company's management invested in the private placement organized in order to increase the share capital of the cyber security company Safetech Innovations SA. The investment was made within the mandate that the executive management has according to the Articles of Incorporation. Within

the placement, Bittnet subscribed the maximum possible amount, namely Ron 2,500,000 for all the 625,000 offered Safetech shares (20% of the share capital). Bittnet's intention was to make a significant investment by entering the Safetech shareholding in a percentage relevant to Bittnet and to treat the investment like the others in the Group.

Following the over-subscription of the Safetech offer almost 9 times, Bittnet was informed by the Broker (SSIF Tradeville) that it had been allocated a number of 72,895 SAFE shares, representing 2.3326% of the Safetech's share capital, which made the value of Bittnet's investment amount to Ron 291,580.00.

In January 2021, Safetech's shares entered into trading on the AeRO-SMT market under the SAFE trading symbol, at a price approximately 400% higher than the one in the private placement.

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

During the first quarter of 2022, the Group liquidated the rest of the holding in Safetech Innovations, so that at the end of the reporting period the Group no longer held SAFE shares in its portfolio.

Arctic Stream

Fair value evaluation

In June 2021, the Company's management invested in the private placement organized before the listing of the shares of Arctic Stream (AST) 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 in this market segment. The investment was made within the mandate that the executive management has according to the Articles of Incorporation and will be subject to the ratification of the shareholders in the General Meeting of Shareholders 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 from the first day of the placement and the massive over-subscription, the tender intermediary informed Bittnet that it had been allocated 74,632 shares of AST, which represents 1.78% of the share capital and 1.78% of the voting rights. The value of the investment in Arctic Stream shares amounts to Ron 1,865,800.

On July 29, 2021, the AST shares entered into trading on the AeRO market at a price approximately 40% higher than the one from the private placement.

On 06/30/2022, the investment in Arctic Stream shares was revalued using the average trading price on the AeRO market as of 06/30/2022.

Chromosome Dynamics

In August 2021, the Group's management decided to invest together with Impetum Group in a company that seeks 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 to the capital Social capital of Chromosome Dynamics amounts to 150,000 lei for 1.5% of shares and 1.5% of CHRD voting rights, including issue premiums. Later, Chromosome Dynamics carried out a private placement of shares with a view to listing on the AeRO-SMT market of the Bucharest Stock Exchange, which was concluded early. Within the offer, 111,929 CHRD shares were issued, with a total value of 3,357,870 lei, the price being 30 lei. The offer reached the threshold of success, being supplemented with another 882,870 lei. The date of the transaction

was 04.10.2021, settlement taking place on 06.10.2021 through the Central Depository system. Following the private placement, Bittnet Systems owns 1.22% of CHRD shares and voting rights. Chromosome Dynamics develops solutions oriented towards the needs of farmers in order to process technology. CHRD is the developer of the AGROBAZAR APP, which models the consulting-selling-buying process in agribusiness, representing a one stop shop for farmers in Romania. The application offers farmers consulting in agribusiness, agricultural machinery and inputs - seeds, pesticides, fertilizers, having up to now more than 10,000 active users. According to the investment agreement, the Bittnet group will have the first option to deliver technology projects together 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 from the private placement concluded in advance. CHRD shares entered trading on 05.05.2022 on the AeRO-SMT market of BVB. On 06/30/2022, the investment in CHRD shares was revalued using the average trading price on the AeRO market on 06/30/2022

NOTA 7. EQUITY AND RESERVES

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

	30 June 2022	31 December 2021
Share capital	52,848,060	48,043,690
Issue premiums	9,738,583	14,542,953
Legal reserves	(18,568,463)	(19,082,504)
Other equity items	947,402	947,402
Legal reserves	7,051,654	(2,117,064)
Reported result	4,774,251	9,168,718
Current overall result		
Total	52,848,060	51,503,195

a) Share Capital

The share capital of the Company includes only ordinary shares with a nominal value of 0.1 ron/share.

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

Actionari si % detinute	30 June 2022	31 Dec 2021
Mihai Logofatu	12.05%	12.05%
Cristian Logofatu	11.13%	11.13%
Other Shareholders	76.82%	76.82%
Total	100%	100%

Share capital increase - july 2022
Increase of share capital by incorporation of reserves - July 2022

The share capital was increased by the amount of RON 4,804,369.10 by incorporating the issue premiums and issuing a number of free shares for the benefit of the shareholders from the date of registration (1 free share for every 10 held), according to ESSM Decision no. 2 of April 2022 and the additional voting procedures. Shareholders from the date of registration - July 21, 2022 - could opt online, between July 29 and August 4, to leave these new shares at the disposal of the Company to be used in the incentive programs for key persons, approved in previous years by the GMS, in this case receiving a cash distribution of RON 0.15 per 10 shares held on the date of registration. During the voting period, the Issuer received a number of 234 options from 234 shareholders, representing a total of 205,693,904 voting rights, i.e. 43.34% of the total voting rights of the Issuer. Among the options expressed, 105 shareholders representing 175,297,189 voting rights, i.e. 36.93% 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 will distribute to these shareholders the amount of 2,629,453.80 lei starting on September 12, 2022, through the Central Depository system, with Banca Transilvania as payment agent. The Central Depository allocated, on 12.08.2022, the shares in Section 1 for the shareholders from the registration date who opted otherwise than for the cash distribution or did not undertake any voting steps during the voting period. Also at that time, the Central Depository charged a number of 17,529,692 treasury shares to the Issuer's account. Following this operation, the subscribed and paid-up capital of Bittnet, registered in the records of the Trade Register, ASF and the Central Depository, is 52,848,059.5 lei, divided into a number of 528,480,595 BNET shares, each with a nominal value of 0.1 lei .

Share capital increase by incorporation of reserves - July 2021

The share capital was increased by incorporating reserves and issue premiums according to Hot. AGEA no. 2 of April 2021 and of the CA Decision of 07/06/2021 and free shares were distributed: 6 new shares for every 10 shares held on the date of registration - July 21, 2021. The operation was completed in July 2021 with the loading into the accounts of trading by the shareholders of a number of 148,336,965 shares. Additionally, the share capital of Bittnet Systems was increased by issuing a number of free shares for the benefit of the shareholders from the date of registration (1 free share for every 10 held), according to AGEA Decision no. 3 of April 2021 and of the CA Decision of 07/06/2021. For the shares from point 2, shareholders from the date of registration - July 21, 2021 - could opt online, between July 26 and August 3, to leave these new shares at the disposal of the Company to be used in the incentive programs for individuals key, approved in previous years by the AGM, in this case receiving a cash distribution equal to the nominal value of the newly issued shares. During the voting 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. Among 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 1,626,109.60 lei starting on August 4, through the Central Depository system, with Banca Transilvania as payment agent. The Central Depository allocated, on 10.09.2021, the shares in Section 1 for the shareholders from the registration date who opted otherwise than for the cash distribution or did not take any steps during the opting period. Also at that time, the Central Depository charged a number of 16,261,096 treasury shares to the Issuer's account. Related to the operations to increase the share capital presented above, the Board of Directors (CA) issued a Decision on 06.07.2021 by which it was established to maintain the allocation ratio of 7 free shares to 10 held on the date of registration according to the mandate granted by the General Meeting of Shareholders of 27.04.2021 through AGEA Decisions no. 2 and 3. This decision was necessary considering that on the date of the convening of the AGM, the coordinates of the capital increase with free shares were applied to the entire share capital registered at that time in the records of the Trade Registry (ReCom) - 28,260,994.30 lei, respectively 282,609,943 shares - values resulting from the processing of capital increase operations decided in August 2020 and December 2020 and registered at ReCom since the end of 2020.

Share capital increase new contributions - February - March 2021

Between January and March 2021, an offer period took place within the capital increase with new cash contributions approved by EGSM Decision no. 4 of April 29, 2020. Thus, in Stage 1 - held between January 27 and February 25, 2021 - 17,359,142 new shares (95.49% of the total) were subscribed at a price of RON 0.59 per share. The offer price (composed of the nominal value plus the issue premium) was established according to the AGEA Decision and the formula approved by it for the issue premium: $[(\text{average trading price of the last 30 days}) / 1.2] - 0.1$. The shares left unsubscribed during the offer period were offered for subscription

in a limited placement (Stage 2) which closed early due to the high interest and the small number of shares (819,408 shares left unsubscribed after Stage 1). According to the law, the price from the private placement was higher than the price from Stage 1, respectively 0.60 lei per share. During the two stages of the capital increase operation, 18,178,550 new shares were subscribed, i.e. 100% of the issue, the Company raising financing in the amount of RON 10,733,538.58. Following the subscriptions of the 18,178,550 new shares, a number of allocation rights (symbol BNETR09) equal to the total number of subscribed shares were allocated to the subscribers' accounts. The allocation rights entered the Transactions within the BVB Regulated Market starting on April 10, 2021 after receiving the CIIF and their registration in the ASF records as financial instruments. Following this operation, the subscribed and paid-up capital of the Company was increased by the amount of 1,817,855 lei (related to the nominal value of the newly issued shares). The amount of RON 8,915,683.58 (resulted by subtracting the amount of the increase of the social 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 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 increased share capital at Trade Register, 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.

b) Issue premiums

The issue premiums resulted from financing in capital increases operations can be used to increase the share capital in future.

c) Legal reserves

According to Law 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 profit tax.

d) Other equity elements**Essential reasoning - recognition and evaluation of SOP**

The company assessed from the perspective of IFRS 2 whether share-based payment transactions with employees (SOP) are settled in cash or by issuing shares. The Company settles the transactions by issuing to the optionholders a number of shares that are equivalent (at the market price) to the financial value of the option.

The capital increase is made by raising the preference right and based on the Board of 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.

As a result, the Company recognized the SOP transactions as settled in shares, and recognized and valued the services received in the Statement of Income and the corresponding increase directly in equity.

Significant estimates - SOP evaluation

The company assessed from the perspective of IFRS 2 whether share-based payment transactions with employees (SOP) are settled in cash or by issuing shares. The Company settles the transactions by issuing to the holders of 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 Administrator'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. As a result, the Company recognizes the SOP transactions as settled in shares, and recognizes and evaluates 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. The measurement of the fair value at the grant date (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 registration date) according to each stock option plan
- volatility, according to the analysis of the daily price of BNET shares, adjusted for splits
- risk-free interest rate, ROBOR12M published on t-1
- the number of shares of the company from the date of granting
- the dilution percentage from the Stock Option Plan

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

SOP 2018

By the Board 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 0.1 lei each, on account of the receivable held over the Company. holders of options ("Key Persons") in accordance with the Key Incentive Plan - Stock Option Plan approved by the EGMS Decision 12 of 25.04.2018 and the option contracts and subsequent additional acts - hereinafter referred to as "SOP 2018" or SOP ".

Thus the share capital increased by the amount of RON 2,469,722.30 , and the equity increased additionally by the amount of RON 11,758,361.13 – issue 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. Between 10.05.2020 - 10.06.2020 (maturity of the option), the key persons exercised the option, the Company having the option to repurchase shares on the market or to operate a capital increase by issuing to the holders of options a number of shares to equate (at market price) with the financial value of the option for 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 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 the FSA Regulation no. 5/2018. Thus, the number of shares was established by dividing the receivable at the price of 0.5761 lei / share - the adjusted average price of BNET shares between 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 debt (as a result of SOP2018).

At the time of writing this Note, the operation is being registered with the Financial Supervisory Authority. After obtaining the new certificate of registration of financial instruments (CIIF) from ASF, the Central Depository will be able to allocate the shares issued in the global accounts of the key persons.

SOP 2019

By the EGMS Decision no. 4 of 24.04.2019, the Company's shareholders voted for an incentive plan with options for key persons with a duration of 2 years, amounting to a maximum of 5% of the Company's total shares. 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. 29 key persons exercised the option to purchase a total number of 9,072,821 BNET shares at the price of 0.224084401 lei per share. Following this operation, the Company registered a receivable in relation to the key persons in the amount of 2,033,080 lei. The number of options exercised (9,072,821) represented 3.6698% of the Company's capital at the date of implementation.

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

SOP 2020A & SOP2020B – „SOP2020”

By Decision no. 3 of the OGSM of January 29, 2020 were voted: • the inclusion in the incentive plan with options of key persons, 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 president of the Board of Directors; and • the inclusion in the incentive plan with options of key persons, with a number of options equal to 0.75% of the total number of shares, annually, of the president of the Board of Directors. Additionally, by Decision no. 5 of the EGSM of April 29, 2020, the Company's shareholders voted for an incentive plan with options for key persons with a duration of 2 years, in the amount of a maximum of 5% of the Company's total shares. Within this incentive plan, 24 key persons notified the company regarding the purchase of a total number of 40,428,754 BNET shares according to the option contracts concluded within the incentive plans "SOP2020A" and "SOP2020B" approved by the above AGEA Decisions mentioned, hereinafter collectively referred to as "SOP2020". The exercise price of the options under SOP2020 was calculated, according to the approved incentive plans, taking as reference the market capitalization from 31.12.2019 for SOP2020A, i.e. the value of 113,000,000 RON, respectively the market capitalization from 21.04. 2020, for SOP2020B, i.e. the value of 101,445,399 RON. Thus, the resulting strike price is 0.235203 lei/share for SOP2020A, respectively 0.211152 lei/share for SOP2020B. Considering that the sums of money that should have been paid by the key persons to the company on account of the shares acquired under SOP2020 by exercising the options could have been paid by various methods, one of them being the sale in the market of a part representing the equivalent of approximately 65% of the shares that are the subject of SOP2020, and this additional volume could have unbalanced the balance between demand and supply, the Group's management made the decision that the 24 key people should be paid in shares the economic value of the options within the incentive program , i.e. a number of 26,020,845 shares. The economic value of the option is the difference between the market price and the purchase price from the SOP (strike price of the option), multiplied by the number of options. The total number of shares was calculated by dividing the economic value of the option at the price of 0.34

lei per share (the price approved by the GSM for running a buyback program). The allocation of the shares representing the counter value of the economic value of the option was made without the need for a cash consideration from the key persons. Thus, the 24 key persons were settled a number of 26,020,845 BNET shares, transferred by the Central Depository from among the Issuer's treasury shares.

SOP 2021

By Decision no. 5 of the EGMS of April 27, 2021, the Company's shareholders voted an incentive plan with options for key persons with a duration of 2 years, amounting to a maximum of 5% of the Company's total shares.

NOTA 8. BONDS

Details on loans from bond issues are presented in the following table:

	30 iun 2022	31 dec 2021
BNET22	-	
BNET23	4,680,635	4,661,869
BNET23A	9,606,866	9,540,798
BNET23C	9,941,667	9,841,667
Interest	872,768	872,768
Total:	25,101,935	24,917,101
Long term debt	14,287,501	24,044,334
Short term debt (interest)	10,814,434	872,768

The company carried out in 2016, 2017 and 2018 offers of bonds maturing in 2019, 2022 and 2023 through which it obtained from the capital market a 'committed' financing of over 30 million lei (all issues are listed on BVB). On April 2, 2021, Bittnet Systems notified the Market of the Decision of the Board of Directors dated 01.04.2021 for exercising the callback option for the early and full redemption of the BNET22 corporate bond issue. According to the Memorandum of admission to trading on the SMT-Bonds market of BVB, the redemption price of the BNET22 issue was 100% of the nominal value, and the registration date for identifying the bondholders whose instruments were redeemed was 06.05.2021. The effective payment date of the sums of money was set at 13.05.2021. Also, according to the BVB Code, BNET22 bonds were suspended from trading starting with 05.05.2021, and the last trading session of BNET22 was 04.05.2021. The redemption value of the BNET22 issue included interest as a coupon fraction calculated for a number of days equal to the time interval from the date of payment of the last full coupon (Coupon 14 of 15.03.2021) and until the date of actual payment of the nominal value of the issue redeemed, ie until 13.05.2021 inclusive. The management of the Company has taken the decision of early redemption of the BNET22 issue in order to reduce the financial expenses with interest.

NOTA 9. BANKING LOANS

Details banking loans:

	<u>30 June 2022</u>	<u>31 Dec 2021</u>
ProCredit credite TL	655,429	1,130,728
Total:	655,429	1,130,728
Long term debt	-	165,607
Short term debt	655,429	965,120

NOTA 10. INFORMATION REGARDING RELATIONS WITH RELATED PARTIES

Details on balances and related party transactions are set out below. The remuneration paid to the Key Management (identified in Note 1) is as follows:

	6 Months:	
	<u>30 June 2022</u>	<u>30 June 2021</u>
Management contracts	312.558	312.558
Stock Option Plan	209.672	242.807
Total	522.230	555.365
Debt	30 iun 2022	31 dec 2021
Key persons	52.093	52.093
Total	52.093	52.093

Creante si imprumuturi	<u>30 iun 2021</u>	<u>31 dec 2020</u>
E-Learning Company – imprumut principal	-	240.000
Total	-	240.000

Following the entry of Bittnet Systems into the shareholding, a loan agreement was signed by the parties through which the Issuer made available to The E-Learning Company the sum of 240,000 lei for financing the

working capital for a maximum period of 3 years and an interest of 10 % per year. The loan was repaid in full in June 2022.

NOTA 11. SUBSEQUENT EVENTS

I. Increase of share capital by reserves incorporation – July 2022

According to EGSM Decision no. 2 of 20.04.2022, the share capital was increased by the amount of 4,804,369.10 lei from the value of 48,043,690.40 lei, to the value of 52,848,059.50 lei, by incorporating the issue premiums and issuing a number of free shares for the benefit of shareholders from the date of registration (1 free share for every 10 held), according to EGSM Decision no. 2 of April 2022 and the additional voting procedures. Shareholders from the date of registration - July 21, 2022 - could opt online, between July 29 and August 4, to leave these new shares at the disposal of the Company to be used in the incentive programs for key persons, approved in previous years by the GSM, in this case receiving a cash distribution of 0.15 lei per 10 shares held on the date of registration. During the voting period, the Issuer received a number of 234 options from 234 shareholders representing a total of 205,693,904 voting rights, i.e. 43.34% of the total voting rights of the Issuer. Among the options expressed, 105 shareholders representing 175,297,189 voting rights, i.e. 36.93% 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 will distribute to these shareholders the amount of 2,629,453.80 lei starting on September 12, 2022, through the Central Depository system, with Banca Transilvania as payment agent. The Central Depository allocated, on 12.08.2022, the shares in Section 1 for the shareholders from the registration date who opted otherwise than for the cash distribution or did not undertake any voting steps during the voting period. Also at that time, the Central Depository charged a number of 17,529,692 treasury shares to the Issuer's account. Following this operation, the subscribed and paid-up capital of Bittnet, registered in the records of the Trade Register, ASF and the Central Depository, is 52,848,059.5 lei, divided into a number of 528,480,595 BNET shares, each with a nominal value of 0, 1 lei.