

22Q3

Published on
Nov 11, 2022



Bittnet Group
BNET Report
3rd Quarter, 2022

“There is something that is much scarce, something rarer than ability. It is the ability to recognise ability.”

—Robert Half

Bittnet Goup

–Company details

Quarter 3 report according to	ANNEX no. 13 to the ASF REGULATION no. 5/2018
For the financial year	01.01.2022 - 30.09.2022
Report date	11 November 2022
Name of the company	BITTNET SYSTEMS S.A.
Registered office	44 Sergent Ion Nuțu street, ONE COTROCENI PARK, Building A & B, 4th floor, District 5, Bucharest
Mail address/operating premises	44 Sergent Ion Nuțu street, ONE COTROCENI PARK, Building A & B, 4th floor, District 5, Bucharest
Telephone/fax	021.527.16.00 / 021.527.16.98
Unique registration code at the Trade Register Office	21181848
Trade Register registration number	J40/3752/2007
The regulated market on which the issued securities are traded	Regulated Market managed by Bucharest Stock Exchange, Standard Category
Paid-in and subscribed share capital	RON 52,848,059,50
The main characteristics of securities issued by the company	528,480,595 shares at the nominal value of RON 0.10 per share
Trading Symbol	BNET – shares, BNET23, BNET23A, BNET23C – bonds
Shares ISIN code	ROBNETACNOR1
Contact	investors@bittnet.ro

Cuprins raport

A message from the CEO	5
Financial Position and Cash-Flow	7
About stock market performance	8
Development through M&A	8
Technology Division	12
Presentation of the operational activity	12
Dendrio Solutions	13
Optimizer (formerly ITPrepared)	14
FORT (Global Resolution Experts, ISEC Associates)	14
Elian Solutions	15
Nenos and Nonlinear	15
Financial Results – Technology Division	17
The Education Division	19
Presentation of the operational activity	19
Bittnet Training team	21
Equatorial team	21
The e-Learning Company team	21
Financial Results—The Education Division	23
Financial result and gross profit	24
Consolidated statement of financial position –key items	27
Consolidated statement of cash flow –key items	28
An annual overview of financial results	29
Indicators according to the Annex 13 to the Regulation ASF 5/2018	30
ICO transactions	31
Key events in Q3 2022	34
Risk factors	38
Contact person for investor relations	46
Annex 1—"Alternative Performance Measurements"	47
Financial Statements (unaudited)	48

A message from the CEO

Over the 9-month period ended on September 30, 2022, our group recorded operational¹ revenues of RON 111 million, which represents **an increase of 35% compared to the same period of last year.**



Mihai Logofatu
Chief Executive Officer

According to the model already known of operational leverage, it generated an increase of 47% of the gross margin, RON 24.6 million (as compared to RON 17.8 million last year). The operating profit reached the amount of RON 3.5 million, an increase by 9% from RON 3.2 million last year.

The financial result is a loss of RON 6.2 million, vs RON 4.6 million profit last year. From this financial loss of RON 6.2 million, RON 2.8 million are non-cash “mark-to-market” due to revaluation of our holdings in two companies: Softbinator Technologies (BSE ticker: CODE) and Arctic Stream (BSE ticker: AST) which resulted in a negative gross profit of RON 3.26 million. For comparison, last year, the value of this indicator amounted to RON 10.8 million, of which RON 5.8 million represented value increases of our investments and RON 3.3 million “one-off profit”.

From the “trailing twelve months” perspective, total revenue and gross margin show significant increases (25% for revenue and 34% for gross margin). The fact that TTM revenues are almost equal to budgeted revenues for the full year reconfirms the year-end targets. **Therefore, even if we have an increase of 36% for this period and continuing the trend for the current year, in Q4 it is enough to register the same operating income as last year in order to reach the budgeted values.** On the other hand, the significant increase (+70%) of indirect expenses generates a decrease in TTM operational profit by 1.5 million lei (-27%). TTM gross profit is RON 11 million lower than in the comparable period, due to the decrease in financial income by approximately RON 7 million.

Looking how the results of the period are composed, the Education Division had a significant increase in revenues and decreased the operational loss in Q3 by 18% (from RON 1.42 million last year to RON 1.1 million this year), while the Technology Division produced a operational profit of RON 4.7 million, in line with last year's value. Within this division, extended delivery

¹ TopTech and zNet, acquired in September, are not included in any way in the consolidated results

terms at Dendrio affect the gross margin (Dendrio is the only company in the technology division that records a decrease in margin). Considering the mentioned delays, the gross profit is also affected – RON 2.5 million of the total gross loss of 3.3 million of the group comes from Dendrio).

From our estimates, supply chain delays will continue next 18-24 months. Based on these estimates, we decided to reevaluate our portfolio of services and products to diversify the solutions we provide, paying more attention to software solutions – where there are no delays in delivery.

This diversification of solutions aims to complete the current portfolio with niche products and services, as well as recurring ones, which will be sold in the form of a monthly or annual subscription, similar to what is currently available on the market in the case of most software solutions. Through this offensive approach, we reconfirm our position as a supplier that responds instantly to customers' needs, offering innovative solutions specialized in the market verticals in which they operate.

We structured the acquisition of TopTech and 2Net companies 'under' Dendrio, so that Dendrio's consolidated results move away from the "June and December" cycle. The two transactions were completed in September, so they have no impact at the profit and loss account level in the financial statements at 9 months. Instead, this peculiarity of the consolidation process according to IFRS generates a blind spot for shareholders. In other words, Dendrio will start the year 2023 as a company with consolidated revenues of approximately RON 200 million lei, and an operational profit of RON 14 million. To address this blind spot, we publish in this report a presentation of the financial results - "[Pro-Forma Consolidation](#)".

Starting from these results, I would like to bring back the attention of investors to an important element for a better understanding of our activity: the team structure and the operational model of the group generate a leverage effect ("multiplier") for the gross margin compared to income. Thus, as can be seen even now, a 36% increase in revenues generates a 47% increase in gross margin, which is the essential element to generate operational profitability. **In other words, a company that registers lower revenues in a period, will also have a lower margin, and therefore a gross loss. However, a relatively small increase in income is needed for a greater increase in margin and a significant evolution of the operational (and gross) profit.**

At the **Technology Division** level the 3rd quarter represented a high level of complexity in the operation of the business, mainly due to logistical challenges (delays in deliveries, lower predictability, restriction of periods in which services can be delivered), but also due to the increase in interest rates on RON loans, which adversely influenced the financing cost of some projects.

Even under such market conditions, far from being ideal conditions, the Technology Division recorded a 29% increase in turnover to RON 95.5 million (vs 73.8 million as compared to Q3 2021) and the gross margin generated at division level was of RON 19.8 million (+45% vs Q3

2021) . The growth in turnover is reflected in an increase of activity at delivery team level with over 2000 projects implemented by the Engineering Division in the first 9 months.

The fact that the most recent acquisitions, TopTech and zNET, have joined the Technology Division opens a complementary horizon of IT products& services and customers and enables business acceleration in a geographical area where, until now, the group had a low presence – central, South and South-East Transylvania.

The other pillars of the Technology Division - Business Applications, CyberSecurity and Managed Services register an extremely strong evolution in a positive sense, both from the point of view of business and profitability. Paradoxically, **the increase in the numbers of these companies is rather limited by the lack of human resources to deliver all the projects we have won, despite the massive recruitments this year.**

In the case of Fort (the brand that brings together the cyber security companies acquired last year - GRX and ISEC) we recorded a 35% increase in business (up to RON 10.6 million), an aspect that allowed us to cover the increase in costs both with the technical team, but also administrative, generating an operational and gross profit similar to that of the previous period – RON 2.2 million. Another extremely important and relevant aspect for the evolution of Fort is the start of a project with non-refundable funds, estimated to be completed in 2023, within we are developing our own product ("own-IP"). It is estimated to produce recurring income starting in 2024.

In the case of Optimizor (formerly IT Prepared), a 91% increase in revenues (up to RON 4.6 million) generated an accelerated evolution (+130%) of operational and gross profit - up to RON 2 million.

Last but not least, in the case of Elian we recorded a doubling of revenues (up to RON 8.5 million) and an improvement of RON 1.2 million in operational and gross profit - up to RON 1.1 million.

As for the **Education Division**, Q3 2022 maintained the positive trend we have had since the beginning of the year. Thus, even if in the summer months the contracting and implementation of trainings slows down compared to the other months of the year, we managed to secure a turnover value (projects won – delivered or in process of delivery as of 30.09 - CLOSED WON) of about RON 18 million, a significant increase from last year.

The actual turnover invoiced in the first 9 months of the year was RON 15.6 million, up by 92% as compared to the same period last year and the gross margin generated by the division reached RON 6.4 million, 55% higher as compared to the same period of 2021.

Financial Position and Cash-Flow

Shareholders' equity continued its significantly positive evolution, reaching a value of RON 54.6 million, while the cash position increased by RON 5 million (31%) as compared to the equivalent

period of last year. Operating cash flow exceeded RON 7 million, which, combined with the sale of a minority stake in Dendrio, allowed us to make new acquisitions of companies worth RON 15 million. In the 9 months ended on September 30th, the cash position decreased by RON 3.1 million, **of which RON 2.6 million represents capital returned to shareholders in the form of buybacks.**

At the same time, in September we started the process of increasing the share capital through contributions and receivables (from M&A), through which we aim to attract an additional amount of RON 20 million as 'fresh-equity'. Thus, if we manage to complete all operational steps before 31.12.2022, the equity will exceed RON 100 million.

Between September 30th and the date of publication of this report, we also published a call for a general meeting of shareholders to renew the bond issuance ceilings, with the aim of refinancing issues maturing in 2023, plus extending the financing available to the group. We believe that, in times of uncertainty for investors, the existence of a bond issuer with a solid financial status, with significant cash flow year after year, and with an equity value of RON 100 million should be an interesting bond investment option.

About stock market performance

Bittnet's share price fell by 16% in the first 9 months of 2022. The total trading volume recorded in the first 9 months was of 77,063,824 shares, with a total value of transactions exceeding RON 45.6 million, values that confirm the membership of the BET-XT index or FTSE Russell indexes, based also on the liquidity of the shares. In September we were informed by the investment fund Agista Investments that it had exceeded the threshold of 5% shareholding, individually, and together with Impetum Investments and a number of persons from the management of the two investment vehicles, the threshold of 15%. We are delighted with the confidence shown by an institutional player in our development plans, and we thank them for this.

Development through M&A

In Q3 we completed 2 significant transactions: the acquisition of TopTech and zNet. As a novelty, this is the first time we have financed the acquisition of other companies through a bank loan. In parallel, we advanced the negotiation processes for other transactions that are still in the pipeline. If only one of these transactions is successfully completed, we will start 2023 with a capacity of over RON 300 million to generate business. We are still looking for transactions that will allow us to strengthen our presence both in the classic IT&C integration business and in the managed services area.

Please read more about the structure of the group and the role of M&A activity in achieving the EUR 100 million turnover target in the [Shareholder's Manual](#).

If we reach the business target of EUR 100 million (RON 500 million) in 2024, and this is accompanied by an average profitability for the industry of 15%, the resulting net profit would be impossible to achieve from current turnover, given the attention to cost, ingenuity and

operational mastery. On the other hand, such a company, valued even at only 10x profit, or only 1x revenue, values well below the historical average of these indicators, would still be worth 3-5 times more than today.

As always, we welcome your questions at investors@bittnet.ro.

Mihai Logofatu

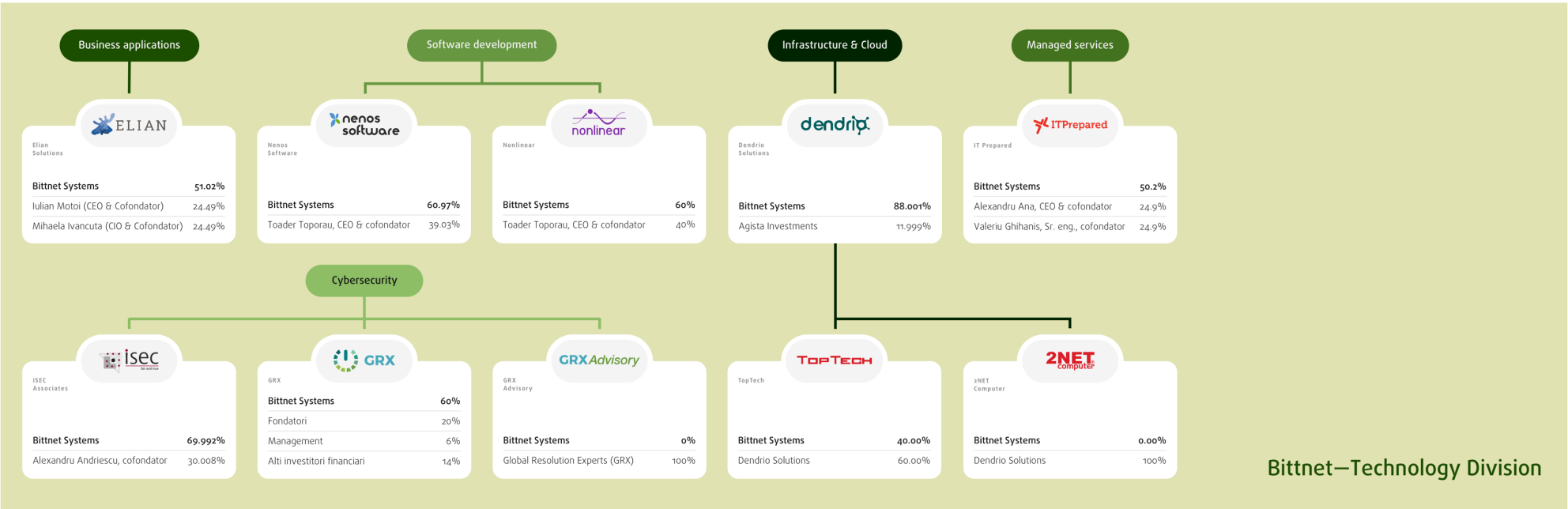
Mihai Logofătu,
Founder & Chief Executive Officer,
Bittnet Group

“The only limits
are, as always,
those of vision.”

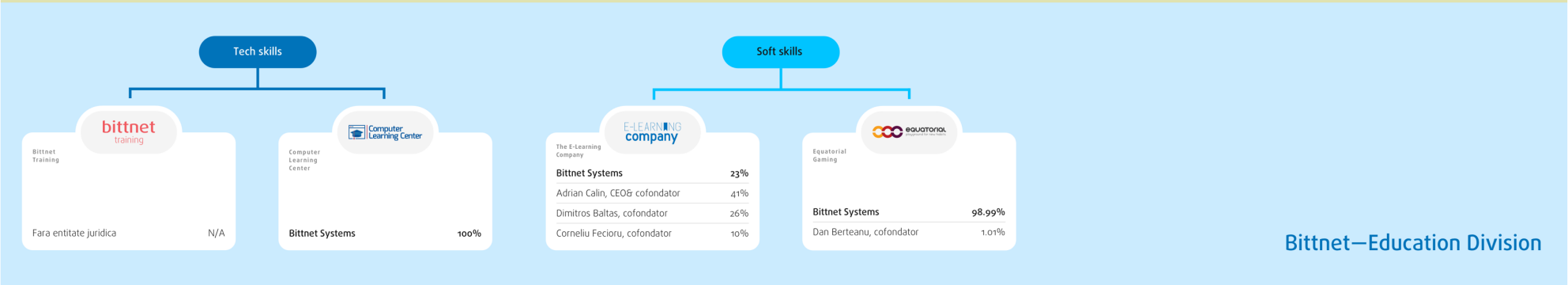
—James Broughton

bittnet group

Consolidated & minority* interests
*The E-Learning Company

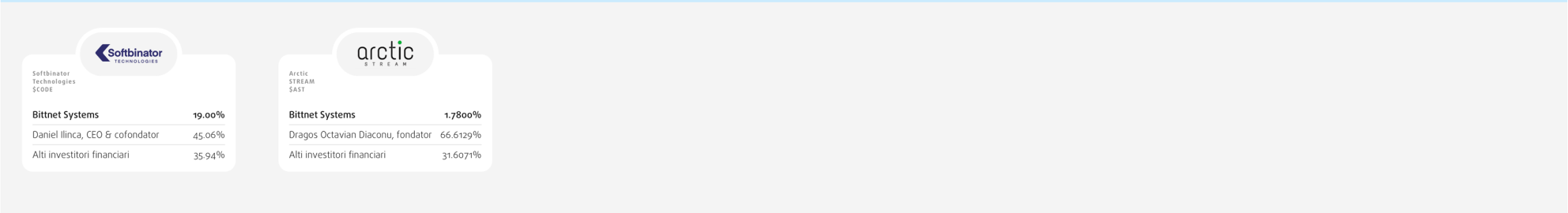


Bittnet—Technology Division



Bittnet—Education Division

Mark 2 Market



Technology Division

Presentation of the operational activity

For the Technology Division, the third half of 2022 brought continued business growth for all companies in the division. As we mentioned at the end of the first half year ([Half Year Report 1](#)) this growth remains significantly higher for companies with a high share of services such as Elian, Optimizor, Fort – companies achieving accelerated growth and even doubling of business compared to Q3 of the previous year, as is the case with Elian Solutions.

In the case of Dendrio the company remains on operational growth in Q3 as well, but this growth is slowed by the current global context – Dendrio has a significant component of operations related to hardware delivery. The economic environment marked by accelerated inflation, as well as the blast of USD/RON exchange rate has led to lower margins for certain contracts subsequent to multi-year framework agreements won in 2019-2020 by Dendrio.

Rising interest rates on RON loans negatively impacted the cost of financing some projects. In this context, dendrio – the company within the division with the greatest need for a project pre-financing component - explored the opportunity to borrow in foreign currency at a lower current cost than it would have done in local currency.

Logistical challenges (delays in deliveries, lower predictability, shortening the periods in which services can be delivered) lead to a higher level of complexity in the company's operations. Below we detail some of the actions we are taking to offset such situation.

Even in these 'not quite ideal' market conditions the Technology Division reports a 25% increase in turnover to RON 95.5 million (vs Q3 2021) and the gross margin generated at division level was of RON 19.8 million (+45% vs Q3 2021). The growth in turnover is reflected in an increase of activity at delivery team level with over 2,000 projects implemented by the Engineering Division in the first 9 months.

The fact that the most recent acquisitions, TopTech and zNET, have joined the Technology Division opens a complementary horizon of IT products& services and customers and enables business acceleration in a geographical area where, until now, the group had a low presence – central, South and South-East Transylvania.

At the time of publication of this report, the integration of the two companies within the group is in full process. By the end of the year, ERP and other 'tools' used at group level will be implemented, both in terms of sales process, operational flows, and financial-accounting consolidation. We will be able to consider the 2 companies fully integrated only at the beginning of 2023. Also, a number of processes that used to operate at company level will be coordinated from division level – so we will have integrated Marketing, Sales Development (SDR – market prospecting) or Customer Success functions at division level. In this way we aim to establish best practices across all companies but also to increase the efficiency of the whole team.

In Q3, the financial results of TopTech and 2NET are not consolidated, at a P&L level, in the financial results of Dendrio, or of the Group.

A. Complex IT infrastructures

Dendrio Solutions

In Q3 2022, Dendrio Solutions' business activity was influenced by the market context marked by disruptions in hardware supply chains, while even in such a context it reached a 4% increase in turnover compared to the same period of 2021 (at a constant value of gross margin generated). A number of significant projects (which were delivered throughout the year) will be completed in the last quarter which will generate an increase in the two values mentioned above.

Although some improvements can be noticed in the delivery of standardised products, in terms of projects with a high degree of customisation (turnkey projects configured to the requirements of a single client but which also allow a higher rate of profitability to be reached) – these projects continue to be significantly affected. We do not intend to go into an excessive detail of this phenomenon because it has been presented in several periodic reports in the last years. However, we believe it is important to note the impact on the company's business and the measures we are taking to counteract these effects:

Impact

- In Q3 2022, a number of projects that were due for completion in 2022 – amounting to over RON 9 million – were rescheduled to 2023 due to delivery delays.
- This volume may increase towards the end of the year – projects worth RON 11 million are considered to be at risk following successive changes in delivery dates.
- High opportunity cost: a significant amount of additional effort is required in dealing with affected customers, manufacturers, and the supply chain – effort that would normally have ensured the generation of new projects.
- However, we expect a significant advance in Dendrio revenues at the end of the year (maintaining a double-digit growth).

Directions for development

- Operationally, the measures taken previously have been maintained (breaking down large projects into sub-projects with partial deliveries, close monitoring of delivery deadlines, reallocation of orders where possible).
- Although we plan to increase the number of projects involving complex architectures, the Dendrio Solutions team will place particular emphasis on the area of solutions and services related to software products from existing and group portfolios (Cisco, Microsoft, cyber security).
- Increase the number of hybrid or cloud architectures sold.
- Extending the portfolio of solutions/manufacturers integrated in the solutions sold

- Strengthening the management and operational team; we currently have a new COO who will focus on maximising operational efficiency as well as new colleagues in key departments such as Presales and Delivery.

Other initiatives undertaken

- Throughout this quarter, several integration projects were initiated with group companies (Fort, Optimizor and Elian).
- SDR: the outbound process has been significantly improved, with currently over 70 Sales Qualified Leads generated (out of which 16 have already been won), in industries such as: manufacturing, retail/e-commerce, transport and logistics, HORECA, financial services.
- The profile of the targeted companies has been changed as well, currently having several qualified leads in the medium and large segment (including companies in the banking sector or in the large industrial area).

Optimizor (formerly ITPrepared)

In the last quarter, Optimizor's customer portfolio was expanded by 30%, also bringing a diversification of the service portfolio in the area of support on networking technologies, cloud-based automation, integrations with HR applications and CRM systems. The delivery team was also expanded by 66% in preparation for the launch of the IT support product for small businesses and startups. DevOps resources were brought within the team to support the development of complex integrations of solutions used by customers.

Last but not least, this quarter we exceeded the threshold of 10.000 solved support tickets (lifetime) with 99.4% undertaken in compliance with the SLA and a satisfaction level of 98.5%.

FORT (Global Resolution Experts, ISEC Associates)

The first 9 months of H2 2022 can be characterised by a single word: construction. The companies that make up Fort have started collaborating with 4 new colleagues, who have a main focus in various cybersecurity related activities, especially penetration testing and consulting. At the same time, in order to ensure an efficient training process for people who want to pursue a career in the field in which Fort operates, a specific course for Ethical Hacking has been set up in collaboration with CTRL+N. Graduates of this course will be able to obtain an internationally recognized certification as well as to get a specific position within the company.

The operational association between GRX and ISec has continued and is almost coming to an end, while the process is to be completed by early 2023.

From an operational point of view, the process of efficient provision of Fort services to the company's clients continued, and a load shift from the audit sphere to the security consulting sphere was observed. There have been started collaborations with 2 new customers, for which we will provide specific services.

We expect that in the last quarter Fort will complete the projects that are now in progress, with a view to achieving turnover and profitability targets.

A significant element is the fact that we have started a project with non-reimbursable funds - the first request for reimbursement of expenses already incurred will most likely be submitted at the end of 2022. We estimate that the project will be completed at the end of 2023 and will represent a FORT intellectual property product that will generate recurring revenue from users starting in 2024.

B. Business Applications, Software and Artificial Intelligence

Elian Solutions

Elian Solutions' accelerated business growth trend continued in Q3 achieving a turnover growth of over 100% compared to Q3 2021.

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

- implementation services grew by 146% compared to Q3 2021,
- support services volume grew by 49%,
- the sale of licenses recorded a 131% increase compared to the previous year.

In terms of results, Elian solutions has budgeted for 2022 a double turnover compared to 2021 and the results at the end of Q3 give us confidence that this goal will be achieved!

The processes started in the first half of the year continued:

- continued strengthening of teams;
- delivery structure divided into 2 sub-teams, each with a dedicated team leader selected from among members with experience in the implementation activities;
- project delivery methodology (involving self-planning for each team member and validation of delivery deadlines with the team manager and the associated Project Manager) allows the management of a high volume of tasks, respectively the management of a significantly higher number of pipeline projects.

Nenos and Nonlinear

This quarter too, our clients have benefited from our experience of over ten years in the field of software development customized to their needs, with the support of our teams built for specific projects, capable of a detailed analysis of problems, but above all of their desire to live up to our motto: "professional software solutions".

Innovative solutions

Last quarter we were delighted with the group-wide launch of our solution, Timekey – which can make administrative actions such as daily time clocking much easier and more efficient. The first feedback was positive, so we started integrating colleagues on a larger scale. We are proud of the development of our product, which has now gone from the pilot version – tested and used by just a few colleagues in the Bittnet group – to the beta version – tested and used by all our colleagues in Elian Solutions. We also succeeded to implement the options proposed last quarter, and Elian

colleagues will be able to use, among other functionalities, the direct submission of the leave request in the application and its approval, also from the application, by the Team Lead, as well as the button that allows the automatic 8-hour daily time clocking.

We have added a new area of expertise to the Nenos Software & Nonlinear portfolio, in addition to the areas involving intelligent document processing, eCommerce, Agritech, Healthcare, Insurance, namely Tourism. We are excited about a new collaboration with a UK company focused on providing distribution, technology, and payment solutions to the travel industry worldwide. The project has taken shape with the aim of meeting people's constant need to travel and to make the whole process of booking holidays easier and more user-friendly. The main objective is to build a UI in the Cloud, which aims at two main aspects: translating the functionality of the current app to be used on phone/tablet as well and implementing new features to improve the user's experience.

A new generation of software developers

We are approaching the end of the current edition of Nenos Academy, which focused on the development and preparation of two categories of juniors: FullStack Web Developers and Python Developers. Our peer mentors prepare students to face the challenges of their first job in this area, using up-to-date theory and specially designed exercises to simulate real project tasks. We reward hard work and dedication, which is why we offer first scholarships to persons who have stood out in the learning groups. At the same time, we've kicked off registration for the third edition of the academy, and we're looking forward to meet the next generation of enthusiastic young people with a passion for programming!

Team

Because we are constantly striving to grow, we are continuing the process of expanding our portfolio and team by expanding our Sales and Marketing department, which was established last quarter. We are happy to have energetic colleagues on board, who are ready to help find the right projects for our team of capable programmers.

Financial Results – Technology Division

Operating leverage (multiplier) continues to generate accelerated gross margin growth in relation to revenue growth (1.5x). Thus, the gross margin generated by the technology division in the first 3 quarters is almost RON 20 million – slightly higher than the group's gross margin 3 years ago. Gross margin continued to improve significantly as a percentage of revenue, as a result of the significant increase in services (up 76% from the previous year).

Operating profit is RON 4.7 million, comparable to the same period last year, as a result of the significant increase in rental costs (with the start of the contract for the new premises, but also due to the expansion of the team).

Integration	30/09/2022 (lei)	30/09/2021 (lei)	Evolution
Income	<u>95,550,607</u>	<u>73,842,251</u>	29.4%
Provision of services	30,661,906	17,483,711	75.4%
Sale of goods	64,888,701	56,358,540	15.1%
Cost of sales	<u>75,698,342</u>	<u>60,123,789</u>	25.9%
Goods/materials	53,881,693	48,522,480	11.0%
Cloud services	3,997,495	4,199,042	-4.8%
Hours-Man	17,819,153	7,402,267	140.7%
Gross margin	19,852,265	13,718,462	44.7%
Other revenues	399,180	2,588,870	-84.6%
Sale/distribution expenses	5,902,526	4,099,972	44.0%
Hours-Man	4,950,927	3,554,610	39.3%
Advertisement	951,599	545,363	74.5%
Administrative expenses	<u>9,593,341</u>	<u>5,011,133</u>	91.4%
Hours-Man	4,225,604	2,556,326	65.3%
Amortization	1,409,339	894,255	57.6%
Other third-party services	1,773,500	773,015	129.4%
Other expenditures	760,237	294,613	158.0%
Operating profit	4,723,146	4,692,919	0.6%

“The whole purpose
of education is
to turn mirrors
into windows.”

—James Broughton

The Education Division

Presentation of the operational activity

For the Education Division, Q3 2022 maintained the positive growth trend we have had since the beginning of the year. Thus, even if in the summer months the contracting and implementation of trainings slows down compared to the other months of the year, we managed to secure a turnover value (projects won – delivered or in process of delivery as of 30.09 - CLOSED WON) of about RON 18 million, a significant increase from last year.

Also during the quarter, we focused our efforts on filling vacant positions in the organisational structure of the division. Thus, we recruited and completed the on-boarding process for 3 positions of Head of Department, 2 positions of Business Development Manager (BDM), 2 positions of Customer Success Manager and 7 positions of collaboration Trainers.

You can find below the activities of each functional team and the results achieved.

A. Marketing

Tech skills

We 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 117 MQL (Marketing Qualified Leads) of which 57 (48%) have been qualified and were transferred to the Business Development team.

We attracted over 23,100 visits to Bittnet Training project websites and over 986,000 paid online ad impressions.

We continued with the promotion of materials from the IT Evolve Toolkit and Security Learning Toolkit campaigns respectively which aimed to provide relevant and topical content to the IT Managers, IT specialists or HR Managers and Business Owners that our teams target. We also developed a series of extensive materials that shaped the AWS Game Changer campaign, dedicated to those who need to become familiar with the most popular Amazon Web Services. From a security perspective we ran an awareness campaign on the topic of Certified Ethical Hacker.

Human skills

In Q3, we focused on starting campaigns to increase Equatorial's brand visibility and to complete the leadership program brochure (the product based on the market research "Learner Persona of the Technology Team Leader") and the company's website.

PR efforts have been amplified due to two new press releases and an interview, activities picked up by over 30 online publications. We also continued our F5 Podcast discussion series with two new editions to stay in touch with the priorities and challenges of senior managers in technology organizations.

Product team tech skills

The team focused on awareness campaigns and lead generation through content development. The awareness campaigns run during this period (IT Security Toolkit, IT Evolve Toolkit and AWS Game Changer) generated a total of 2981 landing page visits and 238 downloads of educational resources.

The department has worked closely with the AWS vendor and thanks to the strengthening of our relationship with them we have been chosen to be part of the fully-funded pilot course programme. At the same time we are continuing co-funding programs with both AWS and Microsoft whereby vendors push cloud courses to various partners and customers.

Moreover, during this period, the department has been working on increasing the number of customers for Cisco courses by developing a custom course that can be delivered globally and which, in addition to the expanded reach in terms of customers, will place us in a select group of Cisco's authorized learning partners that can provide such courses.

The close collaboration with Cisco has also paid off with us being included again in the Cisco Learning Credits (CLC) program, whereby we can accept CLC vouchers as a payment method for courses, which we subsequently charge to the vendor. There is a limited number of partners globally that are included in this program.

In line with the strategy of strengthening and expanding the business model, the department has been working on setting up a video studio and setting up a relevant content plan, both of which are the building blocks for the video platform to be developed later.

Demand generation

In Q3 2022, the Demand Generation team actively complemented the marketing team's campaigns by managing inbound leads and generating outbound leads for the Education division. During this period, 84 SQL (Sales Qualified Leads) were generated and converted into business opportunities: 27 SQL were created by the Outbound team and the remaining 57 SQL by the Inbound team. If we refer to the similar period last year, in Q3 2022 almost double the number of opportunities were delivered in Outbound and 10% more than the same period last year in Inbound.

These results confirm the measures implemented at the beginning of the year to target the IT industry and in parallel thanks to the results from the Marketing campaigns implemented during the year.

For Q4 2022, the Demand Generation team will keep its focus in the established vertical (for the Outbound area) and will address the informational leads coming from the ongoing Marketing campaigns (for the Inbound area), with the main objective of reaching the target proposed for the year.

B. Business development

Bittnet Training team

At the end of Q3 we managed to secure contracts worth RON 16.5 mil. (CLOSED WON), which represents 77% of the target we undertaken for this year. This figure could be achieved by closing 521 opportunities and working with 81 active clients.

In terms of managing the projects carried out in Q3, we continued the delivery of EU funded projects and public sector education projects, the number of trainees in these projects alone exceeding 450.

The figure achieved this quarter was approximately 4 mil. RON, out of approximately 160 opportunities. By comparison, in the same period of 2021 a figure of 2.5 mil. RON out of 119 opportunities.

In the last quarter of the year we will focus on successfully completing the projects we have in progress, building the strategy we will address with clients in 2023 and building the action plans for the portfolios managed by each BDM individually.

Equatorial team

At the end of Q3, Equatorial won projects worth approximately RON 1.7M (CLOSED WON), and from the beginning of the year to 30 September, Equatorial's human & leadership skills training programmes have reached a total of 150 sessions and over 650 participants.

In addition, since September, we have a new Team Leader role for the sales team and a new member has joined us to support and strengthen our sales activities.

The e-Learning Company team

The third quarter of 2022 was a continuation of the trend of the first 6 months: a higher turnover than in the same period of 2021 and also an increasing profit, the margin being almost identical (slightly increasing).

Thus, in the first 9 months we won contracts worth RON 2.25 mil. and the profit went up to RON 510K. These results come in the context of the fact that, for some of the customers who decided to renew the contracts expiring in September, not all the invoices have been issued yet, as they will be issued by the end of the year.

We have moved forward with the plan to implement some courses at regional level in other languages, we have the first modules in Bulgarian and advanced discussions with customers in Bulgaria. In the marketing team, we have a new colleague and we anticipate that the new website and visual identity will be available as planned.

In the last 3 months of 2022:

- we will launch a pilot project with a public sector entity and address a significant number of learners;

- we are awaiting the completion of discussions for two important agreements in the corporate area;
- we will run a series of presentation activities for a client with a very important global business, at the end of which we expect a positive outcome in the first part of 2023;
- we have set up presentations for important partnerships both in Romania and in countries in the region;
- we are launching a promotional campaign to make our e-learning services known to many of the top 500 companies in Romania with which we have no contacts.

C. Training delivery

The third quarter of 2022 brought the Training Delivery team a number of satisfactory results through the implementation of large-scale projects. During this period, we have outlined the Trainers Academy program which aims to attract new professionals in the field of training delivery and to improve the skills of course delivery such as human skills of relating, communicating and explaining technical concepts, to be easily put into practice by the trainees. One of the essential goals of the Training Academy is to implement a uniform learning and development path for Bittnet trainers and therefore an increased success rate of the delivered courses.

We delivered 125 classes with 1380 learners, compared to 2021 when we delivered only 64 classes with a total of 581 learners which results in a doubling of the number of classes compared to the previous year and a 237% increase in the number of learners.

In parallel with these projects, the Training Delivery team, with the support of the technical teams, has been constantly working on the refurbishment of the classrooms which have been brought to the highest level of performance, they are now ready for blended training to create a unique adult learning experience. Microphones that pick up sound from any corner of the classroom, or smart boards that can be tracked in real time by the learner at home, are just a few of the ingenious ideas that are among the state-of-the-art equipment put in place by our teams.

D. Customer success

The Customer Success team has changed its management and has 2 part-time employees who joined the team to provide a better customer experience. The role of the new colleagues is to come back after the course as soon as possible with all the necessary documentation to close the projects won through tenders. We have completed our internal working procedures and use a standard on-boarding procedure for new clients.

We got feedback from over 150 participants in closed classes and have sent over 25 reports centralising this feedback to clients together with instructor recommendations. From the feedback we received, we understand that the participants appreciate the quality of the trainers and the hands-on trainings. These courses have increased their productivity by more than 10%.

Financial Results—The Education Division

From a financial point of view, the evolution of the Education Division for the 9 months ended 30.09.2021 reflects a doubling of revenues generated from current activity (but also an increase in costs, especially those with the team). The gross margin increased during this period by 55% compared to the same period last year, from RON 4 million to 6.4 million.

As in the past, the operating profit remains negative (at the level of Q3), even if the situation is 18% better than the previous year, mostly due to the increase in administrative costs (with the start of the lease contract for the new headquarters from ONE Controceni, during 2022).

The increase in costs both in the area of sales, training deliveries and administration is due to both the increase in business and the increase in the cost with people.

Training	30/09/2022 (lei)	30/09/2021 (lei)	Evolution
Income	<u>15,436,018</u>	<u>8,104,806</u>	90.5%
Cost of sales	<u>8,987,942</u>	<u>3,957,394</u>	127.1%
Cost of sale of goods	394,447	124,540	216.7%
Hours-Man	8,593,495	3,832,855	124.2%
Gross margin	6,448,075	4,147,412	55.5%
Other revenues	848,740	876,551	-3.2%
Sale/distribution expenses	<u>3,205,542</u>	<u>2,438,852</u>	31.4%
Staff expenditure	2,548,773	1,671,182	52.5%
Advertisement	656,768	767,669	-14.4%
Administrative expenses	<u>5,237,857</u>	<u>3,596,438</u>	45.6%
Staff expenditure	1,539,655	1,225,208	25.7%
Amortization	1,359,640	1,052,616	29.2%
Other third-party services	1,226,185	788,733	55.5%
Other expenditures	863,849	193,726	345.9%
Operating profit	(1,197,833)	(1,466,493)	+18.3%

Financial result and gross profit

The 9-month operating profit is slightly up compared to last year and the year before, taking into account the income generated by current activity (without one-off transactions). Thus, the evolution of this indicator, at the group level, corrected for non-repeatable transactions, is: 9 months 2021: RON 3.2 million; 9 months 2022: RON 3.5 million.

Apart from the two business lines (Divisions), the company also registers activities of coordinating the group of companies, ensuring financing through stock exchange mechanisms, and certain expenses estimated according to IFRS standards, but also revenues or expenses related to "mark to market" investments (companies where we do not have 20% of the voting rights). Thus, during the first 9 months of the current year:

- IFRS adjustments regarding stock option plans (SOP) register values similar to this period the year before (715 thousand RON vs 734 thousand RON in 3Q 2021), as well as interest (banking and bonds) – 2.44 million RON versus 2.34 million RON last year.
- The value of "mark to market" investments decreased by RON 2.86 million, while last year there was a profit of RON 5.76 million. This position in the P&L is non-cash, but only a revaluation (up or down) of the holdings in the companies listed on the BSE and which is revalued quarterly according to the evolution of the market quotation.

The financial result is, therefore, a loss of RON 6.27 million in the analyzed period, compared to a profit of RON 4.66 million last year. To this value is added the value of 118 thousand RON - the profit attributable to us from the profits of the companies in which we have minority interests, but over 20%. The reduction of this figure from the operating profit generates a gross loss of RON 3.26 million this year, versus a profit of RON 10.8 million last year.

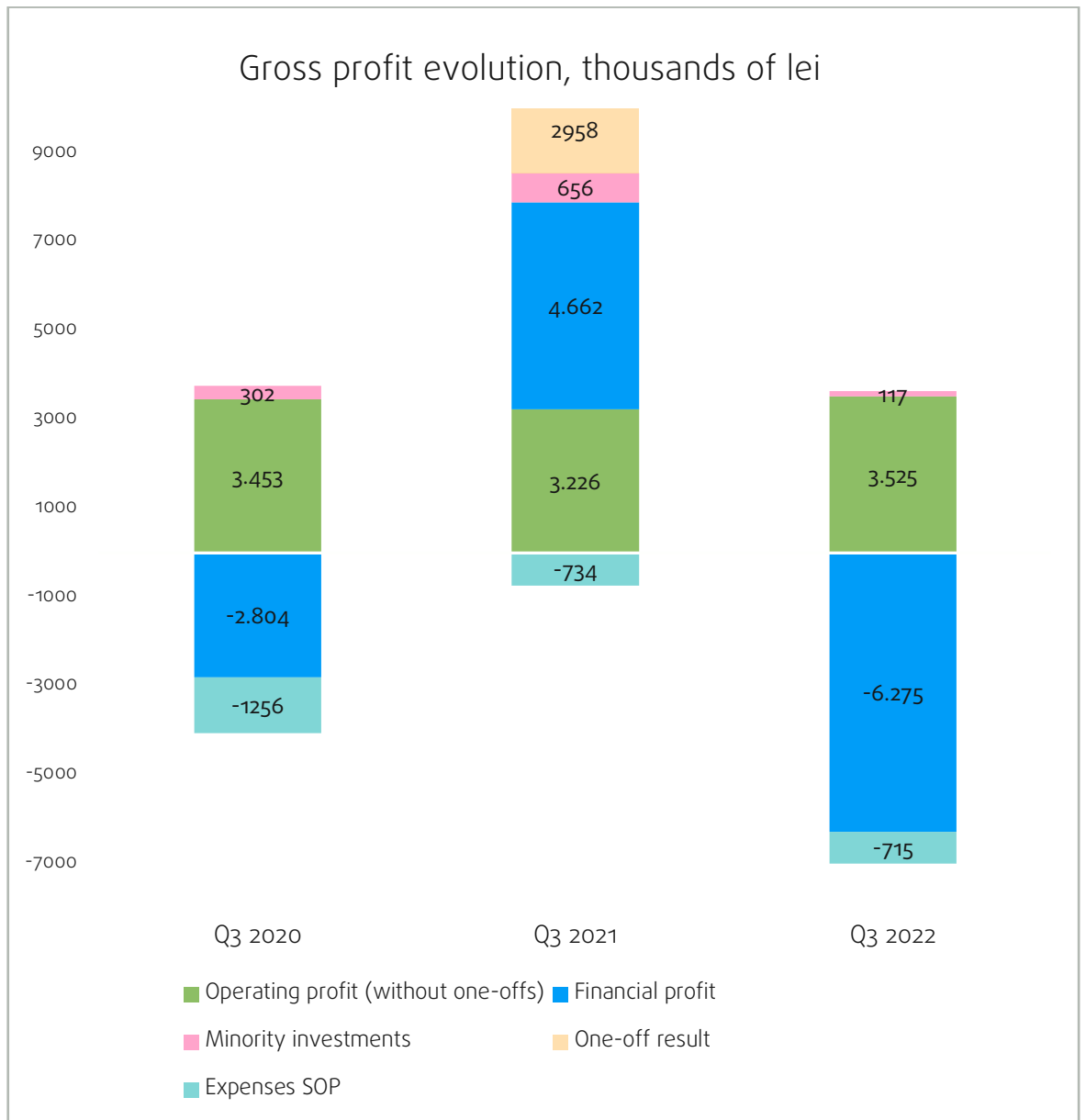


Fig 1 Gross profit evolution, calculated in thousands of lei

“It is not the employer
who pays the wages.
Employers only handle
the money. It's always
the customer who pays
the wages.”

—Henry Ford

Consolidated statement of financial position

–key items

The following items are worth mentioning in the analysis of the dynamics of the Group's financial position compared to the previous year:

1. The increase of RON 26 million in goodwill is due to the registration of new investments (M&A): GRX, TopTech, 2Net.
2. The increase in tangible assets is due to the application of the IFRS16 standard – the rent for the entire duration of the contract with ONE being recorded as if we owned the office building.
3. The increase of RON 1.2 million in the "equity securities" position is due to the increase in the investment in E-learning Company, as a result of the update of the calculation of tranche 2 of the purchase contract following the financial statements on 2021.
4. The increase in stocks by 5 million RON (up to the value of 6.4 million RON) is due to the consolidation at the balance sheet level of the companies Top Tech and 2Net (impact 4.8 million RON)
5. The RON 13.6 million increase in trade receivables is due to the consolidation at the balance sheet level of Top Tech and 2Net companies (impact of RON 14.7 million).
6. The increase in long-term liabilities is due to the application of the IFRS16 standard regarding the rent contract for office space from ONE Cotroceni, combined with the reclassification of BNET23 and BNET23C bonds as 'short-term liabilities'
7. The item 'Trade and other payables' includes the amount of RON 10.8 million, M&A payables, which will be converted into equity, according to the decision of the Board of Directors to increase the capital with contributions and debts. The accounting registration will be made at the end of the increase operation – estimated for December 2022.
8. On the other hand, if we look only at the coverage of debts to suppliers by receivables from customers, this indicator records a subunit value – 96%, which is atypical for our group. This situation is produced in particular by TopTech and Dendrio, which also record high percentage 'deficits' but also high effective values of business and therefore of the two indicators.
9. On the other hand, we consider that we should not be worried about this evolution, because the cash position increased by RON 5 million compared to last year, while the debts to suppliers not covered by receivables from customers reached a consolidated value of RON 1.9 million. **In other words, we have recorded a very prudent cash-flow management.**
10. As a result, equity (net book assets) continues its significant positive evolution (from RON 49 million to RON 54.6 million).

Consolidated statement of cash flow

–key items

During the period under review it can be seen that we have managed cash-flow from operations much more carefully – current activity generating RON 7 million. This cash was "exploited" through the acquisition of new companies.

The investment activity brought RON 7.4 million from the sale of a minority holding in Dendrio, an amount which, combined with the RON 7.3 million from the operational activity, allowed us to make acquisitions of companies worth RON 15 million during the analyzed period.

The financing activity was approximately neutral from the point of view of cash: a total disbursement of RON 558 thousand, the amount which includes RON 1.1 million as well as the dividend payments to minority shareholders in the companies of our group.

Overall, in the 9 months ended September 30, the cash position decreased by 3.1 million RON, of which 2.6 million RON represents the cash distribution, according to EGMS Decision no. 2, for the 17.5 million BNET shares transferred by shareholders to the company's treasury (own share buybacks). Compared to September 30, 2021, the cash position is 31% better (20.3 million RON versus 15.4 million the previous year).

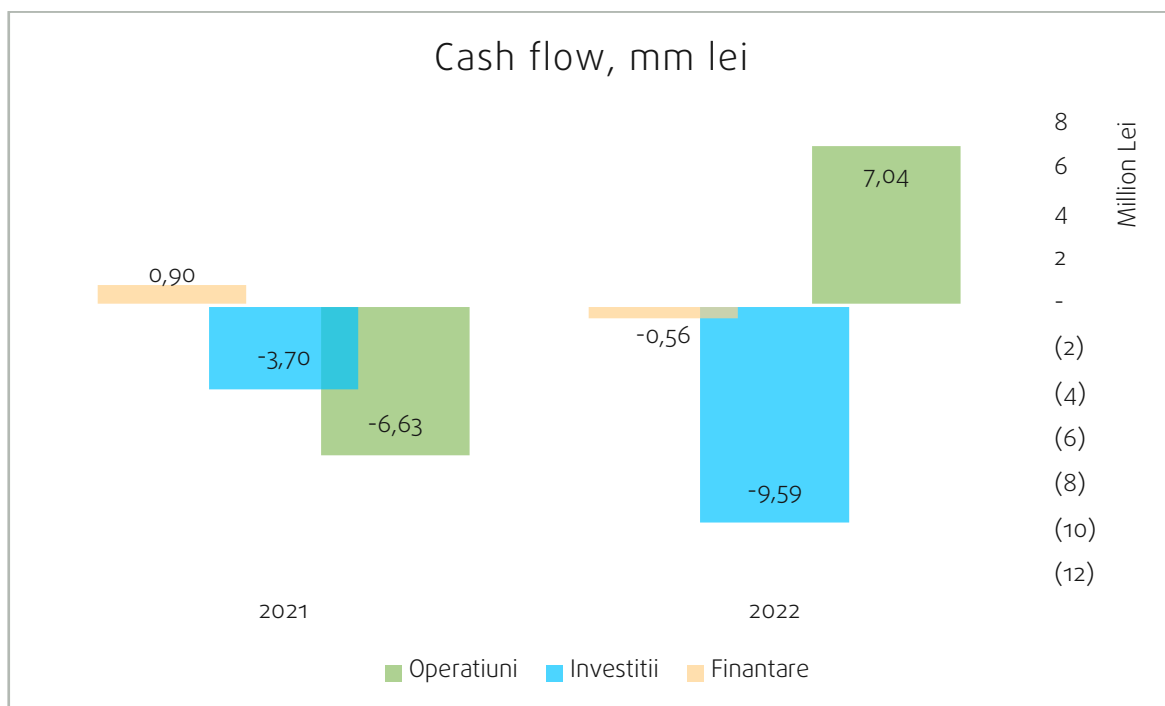


Fig 2 Cash flow, calculated in millions of lei

An annual overview of financial results

Taking into account the seasonality of revenues specific to the industry, but also the unavailability of this form of presentation of results in other financial data analysis systems for Romanian companies, we consider relevant to present the results in the 'last 12 months' format, a practice we have started with our first quarterly report.

We also add a column presenting the "pro-forma" results, which takes into account the acquisition of TopTech and zNet as if they were part of the group starting from January 1, 2022.

	Trailing 12M Q3 2021	Trailing 12M Q3 2022		Pro-Forma results 9 months 2022
Revenues from contracts with clients	113,621,356	141,615,894	24.6%	175,757,243
Cost of sales	(89,170,522)	(108,787,363)	22.0%	(139,311,916)
Gross margin	24,450,834	32,828,532	34.3%	36,445,327
Other revenues	3,494,770	1,869,585	-46.5%	3,111,200
Sales/distribution costs	(8,861,836)	(12,116,523)	36.7%	(9,214,433)
Administrative expenses	(10,421,785)	(17,804,795)	70.8%	(26,258,035)
Profit/(loss) – Equivalent securities	5,703,508	4,167,556	-26.9%	4,803,709
One-Off result	2,958,475	609,243	-79.4%	(719,650)
SOP expense	(1,052,078)	(1,047,883)	-0.4%	(715,051)
Profit/Loss – equivalent titles	786,704	234,900	-70.1%	117,796
Financial income	8,323,069	1,507,562	-81.9%	(3,367,707)
Financial expenses	(3,555,663)	(3,350,138)	-5.8%	(3,117,163)
Gross Profit	13,164,016	2,121,239	-83.9%	(2,998,067)
Tax	(1,431,572)	(802,342)	-44.0%	(380,012)
Net Profit:	11,732,444	1,318,897	-88.8%	(3,378,079)
To the mother company	11,613,014	(1,623,209)	-114.0%	(5,741,539)
Minority interests	119,430	2,942,106	2363.4%	2,363,460

Indicators according to the Annex 13 to the Regulation ASF 5/2018

Indicator (formula)	30/09/2022	30/09/2021	30/09/2020
Current liquidity indicator (Current Assets/Current Liabilities)	1.01	2,11	1,6
Indebtedness indicator (Net TL liabilities / Equity) * 100	36%	66%	55%
Customer flow rotation speed (Average customer balance/turnover) x 270 days	105 zile	92 zile	100 zile
Turnover speed of fixed assets (Turnover/Fixed assets)	1.19	1,76	2,26

ICO transactions

In the natural course of operating the business, but also due to the group structure, there are various commercial transactions between the companies in the group. In general, we try to keep these transactions to a minimum, but we do not oppose from delivering to clients the solutions relevant to them if they generate intragroup transactions. In the first 3 quarters, the situation of intragroup transactions is as follows (obviously, the only relevant figures are generated by group activity / "holding"). The amounts are in RON (lei):

Company	Description	BNET	CLC	DND	ELIAN	EQG	EQT	GRX	GRX-A	ISEC	ITP	NENOS	NONL	ELC	Total
BITTNET SYSTEMS SA	Licente			85,354											85,354
	Refact alte cheltuieli administrative			506,777	49,969	19,797		21,691		1,411	6,547	14,053			620,244
	Refact cheltuieli M&A			693,440											693,440
	Refact cheltuieli sediu		36,751	405,752	105,158	39,166	4,999	46,457	35,336		38,672				712,291
	Servicii instruire		5,047	161,224							1,261				167,532
	Venituri Dividende							399,475			627,967	300,794	93,755	134,220	1,556,211
	Venituri Dobanda		119,550	1,021,910						33,177				7,825	1,182,461
COMPUTER LEARNING CENTER SRL	Servicii instruire	78,721													78,721
DENDRIO SOLUTIONS S.R.L.	Licente				36,957										36,957
	Refact alte cheltuieli administrative	101,012			26,309			5,181	0		4,920				137,423

	Refact cheltuieli M&A	6,952													6,952
	Refact cheltuieli sediu	13,606			13,606	4,948	742								32,903
	Servicii suport si dezvoltare IT					24,028				12,127					36,155
ELIAN SOLUTIONS SRL	Servicii suport si dezvoltare IT	128,228		215,628			8,528								352,385
EQUATORIAL GAMING S.A.	Refact alte cheltuieli administrative	13,576	1,346	4,743	2,846					593	197				23,302
	Servicii instruire	99,072		141,864	30,007		9,958		-0	10,385					291,287
GLOBAL RESOLUTION EXPERTS S.A.	Venituri Dividende							100,781							100,781
GRX ADVISORY S.R.L.	Servicii suport si dezvoltare IT			72,684											72,684
ISEC ASSOCIATES SRL	Servicii suport si dezvoltare IT						6,088	6,185							12,273
ITPREPARED SRL	Servicii suport si dezvoltare IT	7,423		896,681											904,104
	Venituri Dobanda	17,476													17,476
NENOS SOFTWARE SRL	Refact alte cheltuieli administrative											988			988
	Refact cheltuieli sediu											10,879			10,879
	Servicii suport si dezvoltare IT	11,569		23,139	21,982										56,690

NONLINEAR SRL	Servicii suport si dezvoltare IT											215,851			215,851
THE E-LEARNING COMPANY S.A.	Servicii instruire													332,000	332,000
Grand Total		477,637	162,694	4,229,196	286,835	87,939	5,741	497,379	142,302	34,587	702,473	530,895	105,622	474,044	7,737,343

On September 30, 2022, intragroup balances were:

Company	Type	zNET	BNET	CLC	DND	ELIAN	EQG	EQT	GRX	GRX-A	ISEC	ITP	NENOS	NONL	TT
BITTNET SYSTEMS SA	Creante Comerciale			5,445	1,189,367	859,687	512,506	189	21,986	1,414	1,679	19,876	13,549		
	Imprumuturi			1,153,358	15,882,058						641,844				
COMPUTER LEARNING CENTER SRL	Creante Comerciale		31,139												
DENDRIO SOLUTIONS S.R.L.	Creante Comerciale		78,780			10,432	28,969	177	311			17,341			
	Imprumuturi	700,000													
ELIAN SOLUTIONS SRL	Creante Comerciale		135,629		97,856										131,910
EQUATORIAL GAMING S.A.	Creante Comerciale		47,430		35,308	9,636			785						470
ISEC ASSOCIATES SRL	Creante Comerciale								7,245						
ITPREPARED SRL	Creante Comerciale		8,833		393,628										
	Imprumuturi		392,476												
NENOS SOFTWARE SRL	Creante Comerciale		13,768		27,535	26,158									
NONLINEAR SRL	Creante Comerciale												31,484		

Key events in Q3 2022

Share capital increase with bonus shares

Cash distribution option vs. bonus shares (1:10) | July 2022

Since the first year it proposed to investors a capital increase operation with an option between cash distribution vs allocation of free shares, Bittnet has provided investors with an electronic opt-in solution via the Evote platform.

In view of the implementation of the EGMS Decision no. 2/20.04.2022, as of the record date (21.07.2022), shareholders could choose between cash distribution – of RON 0.15 per 10 shares held – or to receive one free share per 10 shares held as of the record date, as per the EGMS Resolution and in accordance with the additional opt-in procedure for its implementation.

Thus, during the opt-in period, July 27-August 4, at 5:00 pm, the Issuer received 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. Of the options cast, 105 shareholders representing 175,297,189 voting rights, i.e. 36.93% of the total voting rights chose OPTION 1 – i.e. for the cash distribution of RON 0.15 per 10 shares held. The Company transferred 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 payment agent.

Shareholders who voted 'against' or 'abstain', as well as those who did not take any action, were allocated the free shares in Section 1 of the Central Depository after the issuer received from the ASF the new registration certificate for financial instruments. These shareholders did not benefit from the cash distribution.

As a result of this operation, the Issuer has been charged a total of 17,529,692 treasury shares resulting from the options cast, which will be used for the settlement of incentive plans for key persons in the following years.

Taking out an investment loan from Banca Transilvania

September 2022

In September, Dendrio Solutions contracted a ceiling – investment loan – from Banca Transilvania in the maximum amount of RON 11.000.000 for the financing of 75% of the purchase price of the shares for TopTech SRL and zNET Computer SRL. The investment loan was contracted for a period of 7 years with monthly repayments of principal and interest. The annual interest rate is variable and consists of the 3-month ROBOR index plus the Bank's fixed margin of 2.50%. The guarantees constituted for this loan product are:

- chattel mortgage on Dendrio Solutions accounts opened with Banca Transilvania;

- chattel mortgage on the shares acquired in the two companies;
- guarantee from Bittnet Systems as co-debtor;
- guarantee issued by the European Investment Fund in the proportion of 60% of the loan amount, in favour of the Bank, based on the guarantee agreement signed between Banca Transilvania and the European Investment Fund.

Closing M&A – TopTech & 2NET Computer

Signing of the closing certificate for the M&A transactions with TopTech and 2NET Computer | September 2022

On 6 September 2022 the issuer informed the investors about the completion of the closing procedures (by signing the completion certificate and the supporting documents) for the acquisition of TopTech shares. After the registration of the changes in the Commercial Register, Dendrio Solutions holds 60% of TopTech share capital and voting rights, and Bittnet Systems SA holds the remaining 40%, considering that the transaction price includes the settlement by BNET shares to be assigned by the Issuer in the right of TopTech founder in a future capital increase with contributions and receivables, operation decided by the Board of Directors on 16.09.2022.

On September 21, 2022 the Issuer informed the Market about the completion of the closing procedures (by signing the completion certificate and the remaining supporting documents) for the acquisition of 2NET Computer SRL and the signing of the necessary documents for the registration of the new shareholder with the Trade Register Office. Part of the M&A transaction (75%) was financed by the investment loan contracted by Dendrio Solutions from Banca Transilvania, the remaining 25% was supported by own funds. After registration of the changes in ReCom, Dendrio holds 100% of the share capital and voting rights of 2NET Computer.

Share capital increase

Share capital increase new cash & debt M&A contributions | September 2022

The Issuer has informed investors about the Decision of the Board of Directors dated 16.09.2022 regarding the increase of the Issuer's share capital by issuing a maximum number of 105,696,119 common shares offered for subscription to shareholders as of the record date 13.10.2022. The subscription price will be RON 0.31 per newly issued share. For subscription of a new share 5 subscription rights are required, which were assigned on 14.10.2022 in the accounts of the shareholders on the registration date.

The offer period for subscriptions, under Phase 1, will run for 30 days. After the approval by the ASF of the Prospectus for the increase and after the 30-day public offering period, the remaining unsubscribed shares will be offered for subscription in a private placement, including to persons who have certified liquid and due certain claims on the Issuer, claims that resulted from the M&A

transactions and will be converted into BNET shares in this transaction (with the founding shareholders of The E-Learning Company, Nenos Software, IT Prepared and TopTech).

The price of these M&A transactions also included a component settled in BNET shares, according to the signed investment contracts. The total amount of these creditors' claims on the Company, which will be converted into BNET shares in Stage 2, amounts to RON 10,082,103. If the operation is 100% successful, the Company's equity will increase by the amount of RON 32,765,796, of which RON 22,683,693 are cash contributions.

Exceeding shareholding thresholds notification

Notification of the issuer by a group of shareholders of the exceeding of shareholding thresholds | September 2022

In September, the Issuer was notified (and in turn informed the Market) of the exceeding of the 5% individual and 15% concerted shareholding thresholds by the investment vehicles Impetum Investments SA and Agista Investments SA. Thus, Agista notified the Issuer that it had deposited 5% of the share capital of Bittnet, individually, and Impetum notified the Issuer that together (acting together) with Agista and a number of individuals in management it had exceeded the 15% threshold. The exceeding of the thresholds in the Bittnet shareholding, for the two funds, was achieved following the execution of two deal transactions with BNET share packages, carried out with Mr. Berteanu Daniel, who notified the Issuer and ASF in this regard.

“When people are financially invested, they want a return. When people are emotionally invested, they want to contribute.”

—Simon Sinek

Risk factors

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 holds no promise 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.

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

On the other hand, what we pursue and measure in relation to the sales team and any partner is the GROSS commercial MARGIN and not the amount of sales. Therefore, every year, when the BVC is published, the management must answer the question "if we have a reasonable confidence that we will be able to generate 100 lei of gross margin, from how many lei of sales will we obtain this margin?". It should be taken into consideration that sales achievements are measured and estimated EXCLUSIVELY depending on the volume of the generated gross margin. In other words, the 100 Euro margin generated from sales of courses in the amount of 200 Euro is just as valuable to the company and is therefore rewarded in the same way with the 100 Euro margin generated from sales of communications solutions in the amount of 500 Euro.

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

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

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

Personnel risk/delivery capacity

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

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

- adding to the organizational chart the role of internal HR and its employment by a new colleague with experience in recruitment and relationship with IT professionals. The HR role has two objectives:
 - continuous recruitment - identifying new talents to include in our technical team;

- creating and maintaining a pleasant, engaging and healthy work environment, focused on constantly promoting the company values on which the company culture is based: competence, performance, integrity, flexibility and fun.
- listing on the Bucharest Stock Exchange, which allowed us to obtain an appreciated employer profile and helped us differentiate ourselves as an open and transparent company - an image highly appreciated by all new and old employees.

This risk continues to be one of the most important risks that 'threaten' our company and, consequently, the management will continue to give particular importance to this issue. In 2016, 2017, 2018, 2019, 2020 and 2021, the General Assembly approved a plan to incentivise key persons based on actions, in order to better align their interests with the long-term interests of the Company.

Considering the overheating of the labour market and the inclusion of the "Millennials" 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 1400 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 unclarity regarding the company's capital, as well as the difficulty of registering operations to reduce the share capital are risks that may affect the percentages of free share allocation, dilution of some investors for the benefit of others, etc.

Business commoditization risk - loss of technological relevance of solutions

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

The company aims to position itself as a value consultant, not as a "commodity" type "boxes" reseller. Tracking technological trends and 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. Considering the global semiconductor crisis, which is affecting lead times from our suppliers to us, while we have contracts with fixed delivery dates (especially in public procurement) these delays significantly increase the risk that our group will be unable to meet the lead times agreed with our customers. In the case of public entity customers, the issuance of a "negative certificate" in the name of one of our group companies would affect that company's ability to generate sales.

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%. Analysing the total interest-bearing debt, more than 70% of the total interest-bearing debt is fixed 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 fixed 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.

“We are what we
repeatedly do.
Excellence, then,
is not an act,
but a habit.”

—Aristotle

Contact person for investor relations



Cristian Logofatu,
Co-founder Bittnet Systems

Contact details
investors@bittnet.ro
investors.bittnet.ro

Annex 1—"Alternative Performance Measurements"

Indicator (formula)	Definition/Calculation method	Why is it relevant?
<p>Operating Profit</p>	<p>It is about the core business profit, i.e. the business of serving our clients. It takes into consideration all the incomes and expenses related to the current business and does not take into consideration the financial incomes and expenses, or those related to the holding-type business (of the group, i.e. us as a listed company). It is calculated by taking out of each business line results the income and expenses items (cash or non-cash) that are not related to the current business. The most significant adjustments (differences between gross profit and operating profit) are:</p> <ul style="list-style-type: none"> – Financial result elimination (expenses addition to the gross profit, and financial-type incomes subtraction) – Non-cash IFRS adjustment elimination, related to the Stock Option Plan 	<p>Operational business (also known as 'current' or 'core') means the company businesses. 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.). 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>
<p>'Gross Margin', or 'gross margin', or 'GM', or 'margin'</p>	<p>The calculation formula for this indicator is the 'revenue MINUS COGS (cost of goods sold)'. Thus, the expenses directly related to those projects (obtaining those revenues) is subtracted from the invoices issued to clients. For the software license resale projects, we buy a license for RON 90 and resell it to the client for RON 100. The difference is the 'gross margin'. 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. 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>

Financial Statements (unaudited)

Annex attached.

bittnet
group

BITTNET SYSTEMS S.A.

INTERIM CONSOLIDATED FINANCIAL
STATEMENTS, UNAUDITED,

Prepared in accordance with
Order of the Minister of Public Finance
no. 2844/2016, as amended,
for 9 months ended
30 September 2022

The interim consolidated financial report from page [4] to page [45] was approved and signed on
November 10, 2022

Mihai Logofatu
CEO

Adrian Stanescu
CFO

TABLE OF CONTENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION5

CONSOLIDATED CASH FLOW STATEMENT..... 6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 8

NOTA 1. GENERAL INFORMATION.....10

NOTA 2. BASIS OF THE FINANCIAL STATEMENTS18

NOTA 3. SIGNIFICANT EVENTS AND TRANSACTIONS.....19

NOTA 4. INFORMATION BY ACTIVITY SEGMENTS 21

NOTA 5. CUSTOMER REVENUE23

NOTA 6. OTHER INCOME 24

NOTA 7. CLASSIFICATION OF EXPENSES25

NOTA 8. FINANCIAL INCOME AND EXPENDITURE..... 26

NOTA 9. TITLES27

NOTA 10. CAPITAL AND RESERVES33

NOTA 11. BONDS..... 40

NOTA 12. BANK LOANS..... 42

NOTA 13. INFORMATION REGARDING THE RELATION WITH RELATED PARTIES 43

NOTA 14. EVENTS AFTER THE REPORTING PERIOD 44

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>30 Sept 2022</u>	<u>30 Sept2021</u>
Revenues from contracts with customers	110,986,624	81,947,057
Cost of sales	(84,686,284)	(64,081,183)
Gross margin	26,300,340	17,865,874
Other revenues	1,247,920	3,465,421
Sales expenses	(9,108,067)	(6,538,824)
General and administrative expenses	(15,546,250)	(9,341,651)
Profit/(loss) - Investments accounted for using the equity method	117,796	655,909
Financial revenues	(3,443,038)	7,141,169
Financial expenses	(2,832,847)	(2,478,391)
Gross profit	(3,264,146)	10,769,507
Income tax	(91,638)	(1,020,328)
Net Profit, of which:	(3,355,784)	9,749,180
related to the parent company	(5,719,244)	9,626,101
related to minority interests	2,363,460	123,078
Net Profit	(3,355,784)	9,749,180
Other comprehensive income	-	-
Total comprehensive result	(3,355,784)	9,749,180
related to the parent company	(5,719,244)	9,626,101
related to minority interests	2,363,460	123,078

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>30 Sept 2022</u>	<u>31 Dec 2021</u>
ASSETS		
Fixed assets		
Goodwill	57,957,714	41,705,648
Other intangible assets	8,841,339	9,219,368
Property, equipment	22,852,057	2,352,513
Investments accounted for using the equity method	2,763,107	1,996,840
Other financial fixed assets	1,021,923	2,041,467
Deferred tax	776,108	47,257
Total fixed assets	94,212,248	57,363,094
Current assets		
Inventories	6,481,614	1,184,962
Trade receivables and other receivables	48,220,794	32,644,937
Financial assets at fair value	13,814,675	17,919,885
Cash and cash equivalents	20,288,488	23,403,197
Total current assets	88,805,570	75,152,981
TOTAL ASSETS	183,017,818	132,516,075
EQUITY AND DEBTS		
Share capital	52,848,060	48,043,690
Share premium	9,738,583	14,542,953
Other equity items	(14,189,202)	(19,082,504)
Reserves	1,302,262	1,114,139
Retained earnings	2,214,880	8,122,246
Capital related to the parent company	51,914,583	52,740,525
Non-controlling interests	2,732,721	1,164,851
Total equity and reserves	54,647,305	53,905,376
Long-term debts		
Bonds	9,623,384	24,044,334
Bank loans	14,466,263	6,327,926
Leasing liabilities	16,377,293	676,929
Long-term debts	-	624,136
Total long-term debts	40,466,939	31,673,325
Current debts		
Bonds	15,094,966	872,768
Bank loans	8,153,201	3,882,132
Leasing liabilities	3,143,387	540,786
Dividends payable	942	9,995
Profit tax liabilities	5,323	294,606
Trade payables and other debts	61,505,755	41,337,088
Total current debts	87,903,574	46,937,374
Total debts	128,370,513	78,610,699
TOTAL EQUITY AND DEBTS	183,017,818	132,516,075

CONSOLIDATED CASH FLOW STATEMENT

	<u>30 Sept 2022</u>	<u>30 Sept 2021</u>
Gross profit	(3,264,146)	10,769,507
Adjustments for:		
Depreciation expenses	2,768,979	1,946,871
Expenses with sold assets	-	86,016
Benefits granted to employees SOP	715,051	734,080
Interest expenses and other financial costs	2,441,726	2,355,488
Interest revenues and other financial revenues	431,412	297,319
Securities investment gains	3,474,982	(7,031,976)
Gain from investments accounted for using the equity method	(117,796)	(655,909)
Operating profit before working capital change	6,450,209	8,501,396
Variation of receivables account balances	(298,303)	(2,100,315)
Variation of stock account balances	(511,049)	(244,080)
Variation of accounts payable balances	2,665,293	(12,429,317)
Cash generated from operation	8,306,150	(6,272,316)
Profit tax paid	(1,267,901)	(361,726)
Net cash from operating activities	7,038,249	(6,634,043)
Investment activities:		
Payments for the purchase of subsidiaries, minus purchased cash	(15,056,287)	(3,536,692)
Payments for the purchase of participating interests	(830,128)	(1,413,393)
Sale of participation interests	7,447,460	
Loans granted to related entities	240,000	(193,195)
Acquisitions of tangible and intangible assets	(2,213,086)	(1,057,583)
Other financial investments	(4,179,499)	(1,865,300)
Proceeds from other financial investments	4,809,727	3,616,230
Dividends collected	134,220	670,082
Interest collected	53,248	79,435
Net cash from investment activities	(9,594,345)	(3,700,415)
Financing activities:		
Proceeds from share issue	-	10,412,024
Repurchases/sales of own shares	(2,603,739)	(657)
Drawdowns from bank loans	9,724,886	
Receipts/reimbursements from bank loans	(2,318,459)	(1,394,902)
Receipts/reimbursements from bonds	-	(4,500,000)
Payments of leasing liabilities	(1,639,145)	(968,578)
Interest paid	(2,640,478)	(2,632,469)
Dividends paid related to minority interests	(1,081,679)	(19,591)
Net cash from financing activities	(558,614)	895,827

Net increase in cash and cash equivalents	(3,114,710)	(9,438,631)
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	20,288,488	15,434,024

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Capital social	Prime de emisiune	Alte elemente de capitaluri proprii	Rezerve legale	Rezultat reportat	Total capitaluri	Interese care nu controleaza	Total capitaluri proprii
31 dec 2021	48,043,690	14,542,953	(19,082,504)		8,122,246	52,740,525	1,164,851	53,905,376
				1,114,139				
Profit net	-	-	-	-	(5,719,244)	(5,719,244)	2,363,460	(3,355,784)
Alte elemente ale rezultatul global	-	-	-	-	-	-	-	-
Total Rezultat global	-	-	-	-	-	-	2,363,460	-
					(5,719,244)	(5,719,244)		9,749,180
Majorari de capital social	4,804,369		(9,895)	-	-	(9,895)	-	(9,895)
		(4,804,369)						
Tranzactii actiuni proprii	-	-	(2,649,244)	-	-	(2,649,244)	-	(2,649,244)
Beneficii acordate angajaților SOP	-	-	715,051	-	-	715,051	-	715,051
Vanzare participatii minoritare	-	-	6,837,390	-	-	6,837,390	250,094	7,087,484
Interese care nu controleaza	-	-	-	-	-	-	-	-
Repartizare dividende	-	-	-	-	-	-	(1,045,684)	(1,045,684)
Repartizare rezerva legala	-	-	-	188,123	(188,123)	-	-	-
30 septembrie 2022		9,738,583	(14,189,202)		2,214,880	51,914,583	2,732,721	54,647,305
	52,848,060			1,302,262				

	Capital social	Prime de emisiune	Alte elemente de capitaluri proprii	Rezerve legale	Rezultat reportat	Total capitaluri	Interese care nu controleaza	Total capitaluri proprii
31 dec 2020	26,443,139	25,409,965	(19,893,997)			27,391,073	255,237	27,646,310
				451,993	(5,020,028)			
Profit net	-	-	-	-	9,626,101	9,626,101	123,078	9,749,180
Alte elemente ale rezultatul global	-	-	-	-	-	-	-	-
Total Rezultat global	-	-	-	-	9,626,101	9,626,101	123,078	9,749,180
Majorare de capital social			(321,515)	-	-	10,412,024	-	10,412,024
	21,600,551	(10,867,013)						
Tranzactii actiuni proprii	-	-	406,433	-	-	406,433	-	406,433
Beneficii acordate angajaților SOP	-	-	734,080	-	-	734,080	-	734,080
Interese care nu controleaza	-	-	-	78,672	(78,672)	-	162,242	162,242
Repartizare dividende	-	-	-	-	82,284	82,284	(121,500)	(39,266)
Repartizare rezerva legala	-	-	-	72,878	(72,878)	-	-	-
30 septembrie 2021		14,542,953	(19,074,999)				419,008	49,071,003
	48,043,690			603,543	4,536,809	48,651,996		

NOTA 1. GENERAL INFORMATION

Group structure and operational activities

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

	<u>30 September 2022</u>	<u>31 December 2021</u>
SUBSIDIARIES - % ownership		
Dendrio Solutions	88.001%	100%
Elian Solutions	51.02%	51.02%
Equatorial Gaming	98.99%	98.99%
Equatorial Training, through Equatorial Gaming	100%	100%
Computer Learning Center	100%	100%
ISEC Associates	69.992%	69.992%
IT Prepared	50.2%	50.2%
Nenos Software	60.97%	60.97%
Nonlinear	60%	60%
Global Resolution Experts	60%	60%
GRX Advisory, through Global Resolution Experts	60%	60%
Top Tech, 60% through Dendrio Solutions	100%	-
zNET Computer, through Dendrio Solutions	100%	-
MINORITY INTERESTS		
E-Learning Company	23%	23%

The Group has over 300 employees and collaborators, who work for one of the 14 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, Top Tech, 2NET Computer).

The consolidated financial statements include the results of the business combination through the acquisition method. In the statement of financial position, the assets, liabilities and contingent liabilities of the acquirer entity are initially recognized at their fair values at the acquisition date. The results of the acquired operations are included in the consolidated statement of comprehensive income from the date of acquiring control (Dendrio Solutions – September 2017, Elian Solutions – November 2018, Equatorial Gaming and Equatorial Training – December 2020, Computer Learning Center, ISEC Associates, IT Prepared, Nenos Software, Nonlinear – August 2021, Global Resolution Experts and GRX Advisory – December 2021, Top Tech and 2NET Computer – September 2022).

Bittnet Systems S.A.

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

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

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

In 2016, the company created a new area of expertise by introducing consulting and cloud migration services. As a result, Bittnet has launched a series of actions dedicated to customers strictly for this range of services, targeting a new group of customers, with a slightly different profile. During 2017, the company continued to invest in increasing and diversifying AWS and Azure-specific technical skills in order to meet the requests received.

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

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

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

- **Technology** - which is focused on IT integration services, offering integration solutions previously offered by both **Bittnet**, **Dendrio** and **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 (symbol: BNET) have been listed on the Regulated Market of BVB.

Dendrio Solutions

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

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

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

In June 2022, Bittnet Systems announced 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 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 Agista as a shareholder, Dendrio starts the road to 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 multilateral system of trading from a member country of the European Union.

Elian Solutions

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

Elian Solutions is specialized in providing implementation services for Enterprise Resource Planning (ERP) solutions, Microsoft Dynamics NAV. Elian is the only partner who holds 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 forecast, inter alia cash flow, to track production, cost centers and much more.

Equatorial Gaming

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

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

Equatorial, a *game-based learning* company, specializes in providing transformative training and consulting programs at the individual, team and organizational levels in Romania and abroad. In 2015, the company invented and launched Equatorial Marathon, an Alternate Virtual Reality Game for corporations, which increases involvement and stimulates employee behavior change. In 2018 Equatorial launched a new product: VRrunners, an evolution for Marathon mobile platforms. In 2019, Equatorial released 2 new games: White Hat and Bona Fidae Agency.

Computer Learning Center & ISEC Associates

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

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

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

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

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

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

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

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

IT Prepared (Optimizer)

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

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

The transaction for taking over the majority stake in IT Prepared SRL was approved by Shareholders in the EGMS of 26 November 2020. Taking into account that the financial and operational situation of IT Prepared SRL changed between the moment of approval granted by the EGMS and the moment of signing the investment approval, the parameters of the transaction were renegotiated to the benefit of Bittnet, the final evaluation being reduced to half (therefore, Bittnet took over the majority stake) and the payment following to be conditional upon confirmation of positive operational results in 2021 and 2022.

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

Nenos Software & Nonlinear

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

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

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

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

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

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

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

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

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

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

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

GRX and GRX-A were consolidated in the financial statements from 31.12.2021 only at balance sheet level. Starting with January 2022, GRX and GRX-A have been fully consolidated in the Group's financial statements.

Top Tech

Founded in 1992, Top Tech SRL (CUI: 2114184) is a Romanian company, integrator of IT&C products and services, with business in Transylvania. Currently, TopTech has partnerships with some of the most important technology manufacturers, such as Dell or HP, for the delivery of equipment, solutions and technological services. The company has over 80 employees and collaborators, being one of the most important IT integrators in the central and western part of Romania. TopTech has open offices in Deva, Sibiu, Timisoara, Cluj-Napoca, Alba-Iulia and Medias. Following this transaction, Bittnet Group has expanded its geographic coverage nationwide in the IT&C integration industry.

After signing the closing at the beginning of September and registering the mentions in the Trade Register regarding the new shareholding structure, Dendrio Solutions SRL owns 60% of Top Tech, and Bittnet Systems SA 40%. The total value of the transaction price is RON 12,874,306, of which RON 5,000,000 will be settled

in BNET shares in a future capital increase; the cash component of the price, worth RON 7,874,306, was paid in full in September 2022. Top Tech was consolidated in the financial statements from 30.09.2022 only at the balance sheet level.

2NET Computer

2NET Computer SRL (CUI 8586712) is a Romanian company with over 20 years of experience in providing IT&C products and services, mainly in Brasov area and the center part of Romania for local and international clients with presence in Brasov, Harghita and Covasna counties. 2net Computer provides products and technology solutions from the main international vendors. Among the competencies are design and implementation of technical security systems; technology solutions & services for configuring equipment, servers, storage, networking, software, virtualization, hardware & software security; the sale of hardware components / PC / printers, copiers & multifunctional/scanners.

The total value of the transaction was RON 5,241,931, the amount paid in full in September 2022. 2Net Computer SRL was consolidated in the financial statements from 30.09.2022 only at the balance sheet level.

The E-Learning Company S.A.

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

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

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

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

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

years, the distribution of dividends will be pursued, so that Bittnet can achieve a return of at least 18% annually provided that ELC to achieve a degree of profitability at least equal to this percentage.

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

The Group's Management

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

- 1) **Ivylon Management SRL** by **Mihai Alexandru Constantin Logofatu**. At the time of drafting this note, Mihai Logofatu holds a number of 58.341.882 shares, representing 11.03% of the share capital and voting rights. Mihai Logofatu is the co-founder of Bittnet Systems.
- 2) **Cristian Ion Logofatu**, who owns a number of 53.592.812 shares, which represents 10.148% of the share capital and voting rights. Cristian Logofatu is the co-founder of Bittnet Systems.

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

- 3) **Anghel Lucian Claudiu** – independent manager, who holds a number of 5,468,395 shares of the Issuer, i.e. a percentage of 1.13% of the voting rights.

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

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

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

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

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

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

NOTA 2. BASIS OF THE FINANCIAL STATEMENTS

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

The consolidated reporting period for the 9-month period ended September 30, 2022 has been prepared in accordance with IAS 34 "Interim Financial Reporting". This report does not include all the information and disclosures that would be required in a complete set of IFRS financial statements and should be read in conjunction with the 2021 annual financial statements.

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

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

Essential reasoning

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

Valuation at fair value of financial assets held for sale

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

NOTA 3. SIGNIFICANT EVENTS AND TRANSACTIONS

The economic context

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

Measures taken

Using the technological solutions in the Dendrio portfolio, since March 2020, approximately 90% of the Bittnet Group team works from home, without significant interruptions of daily activities. This measure has been taken for an indefinite period. If it is necessary for all 100% of the team members to work from home, the Group does not foresee any significant administrative impediment in its day-to-day work, and the work schedule will continue as close as possible to the usual schedule. Impact on business The event that marked the years 2020-2021 is the global pandemic of Covid-19, and the restrictions on movement and activity ("lockdowns") imposed by governments in all parts of the world, significantly affecting some industries. This situation could generate a liquidity crisis, as a result of the fears of consumers and companies on the subject of a future recession or economic crisis. However, it seems that the monetary measures taken by governments and central banks have given enough confidence to the business environment that a 'credit crunch' will not occur. The group closely monitors liquidity indicators - conversion of receivables into cash, turnovers with customers and suppliers, etc. The effects of this general environment are:

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

since August 2021 the technology division has begun to include other companies with exceptional cyber expertise, such as: IT Prepared, Global Resolution Experts (GRX), or iSec Associates (iSec) - we can consider that at this moment the technology division and the Bittnet group are in an extremely favorable position for the next period.

Cyclicality / seasonality of income

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

NOTA 4. INFORMATION BY ACTIVITY SEGMENTS

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

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

OPERATIONAL RESULTS	9 months 30 sept 2022			9 months 30 sept 2021		
	Education	Technology	Total	Education	Technology	Total
Total revenue	15,973,558	97,323,059	113,453,127	8,148,458	74,135,091	82,283,549
Revenue between segments	(537,540)	(1,772,453)	(2,309,993)	(43,653)	(292,839)	(336,492)
Revenues from contracts with customers	15,436,018	95,550,607	111,143,134	8,104,806	73,842,251	81,947,057
Gross margin	6,448,075	19,852,265	26,300,340	4,147,412	13,718,462	17,865,874
Allocated sales costs	(3,205,542)	(5,902,526)	(9,108,067)	(2,438,852)	(4,099,973)	(6,538,824)
Margin, after sales costs	3,242,534	13,949,739	17,192,273	1,708,560	9,618,490	11,327,050
Other incomes	848,740	399,180	1,247,920	876,551		3,465,421
Unallocated operating expenses			(15,546,250)			(9,341,651)
Financial income / expenses			(6,158,090)			5,318,687
Gross result			(3,264,146)			10,769,507

ASSETS / LIABILITY	30 sept 2022			30 sept 2021		
	Education	Technology	Total	Education	Technology	Total
Active in the segment	53,773,712	126,353,353	180,127,065	36,221,693	59,617,474	95,839,167
Unallocated assets			2,890,753			17,363,057
Assets – Total			183,017,818			113,202,221
Debts by segment	28,397,739	99,031,242	127,428,981	2,437,263	41,636,712	44,073,975
Unallocated debts			941,532			19,028,871
LIABILITY – Total			128,370,513			63,102,846

NOTA 5. CUSTOMER REVENUE

Revenues from customer contracts are detailed in the following table:

	9 months	
	<u>30 sept 2022</u>	<u>30 sept 2021</u>
Training services	15,436,018	8,104,806
IT integration services	30,661,906	17,483,711
Revenue from the provision of services	<u>46,097,924</u>	<u>25,588,517</u>
	32,823,538	25,377,173
Goods for integrating IT solutions	32,065,163	30,981,367
Reselling licenses	<u>64,888,701</u>	<u>56,358,540</u>
Sale of goods		
Total	<u>111,986,624</u>	<u>81,947,057</u>

Training services

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

IT solution integration services

The IT solutions provided by the Group include: general consulting services, IT assessment services, implementation and migration services, maintenance and support services, infrastructure optimization services. The integrator business involves providing solutions and services starting with the initial analysis, design, implementation and testing phase that results in turnkey projects for companies with different IT

needs. In general, revenues are recognized at a specific time, at the end of the implementation as a result of the fulfillment of the execution obligation.

Revenue from the sale of goods and licenses

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

Geographical income

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

NOTA 6. OTHER INCOME

Autodesk business sale

On 30.09.2021, the sale agreement was signed between Dendrio Solutions SRL and GRAPHEIN INTERNATIONAL SRL, regarding the Autodesk business transfer. The price of the contract is EUR 450,000 and will be collected by Dendrio Solutions in 4 installments until 2024. The contract provides for the buyer (Graphein International) of Dendrio's business activity with the American technology vendor Autodesk, meaning the transfer of the contracts with clients, knowledge transfer, as well as the Gold Partner status. The funds obtained from this transaction will be reinvested in the development of the group's strategic business lines - cloud and cyber security - and in potential future M&A transactions in these areas.

Debt Restructuring Computer Learning Center / ISEC Associates

In September 2021, after the registration of the new shareholding structure of the Computer Learning Center and ISEC Associates companies, the Group contacted the creditors of these companies for restructuring of their debts, taking into account the new financial position of the two companies that joined the Bittnet group - concluding an agreement each payment for each company.

Through the 2 payment agreements, CLC and ISEC undertook to immediately pay 35% of the total amounts owed in exchange for the full settlement of historical debts, thus strengthening their financial position. In this regard, Bittnet granted a loan of RON 560,000 to Computer Learning Center and RON 370,000 to ISEC Associates, funds with which the transfers were made to the CLC and ISEC creditors, according to the agreements.

NOTA 7. CLASSIFICATION OF EXPENSES

	9 months	
	<u>30 sept 2022</u>	<u>30 sept 2021</u>
Goods	28,439,034	21,919,074
Resell licenses	26,164,994	26,856,306
Staff expenditure	16,130,522	7,130,631
Expenses with collaborators	13,285,689	8,618,355
Amortization	2,768,979	1,946,871
Cloud services	3,997,495	4,199,042
Rent	486,136	201,589
Fees and commissions	312,386	218,935
Advertising	1,608,367	1,313,033
Travel and transportation	200,039	65,243
Insurance	135,571	134,646
Postal and telecommunications	131,607	90,370
Donations	262,679	132,938
Receivables adjustments	-	-
Banking fees	129,269	75,933
Services provided by third parties	13,663,748	6,570,354
Other expenses	1,624,086	488,339
Total operational costs	<u>109,340,601</u>	<u>79,961,658</u>

NOTA 9. TITLES

In equivalence

	<u>30 sept2022</u>	<u>30 sept 2021</u>
E-Learning Company	2,763,107	1,996,840
Total	<u>2,763,107</u>	<u>1,996,840</u>

The E-Learning Company

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

Other financial assets (securities) at fair value

	<u>30 sept2022</u>	<u>30 sept 2021</u>
Softbinator Technologies	12,345,119	15,270,453
Safetech Innovations	-	632,560
Arctic Stream	1,469,556	1,791,601
Chromosome Dynamics	-	225,270
Total	<u>10,987,298</u>	<u>17,919,885</u>

Softbinator Technologies

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

Softbinator Technologies stock listing (trading symbol: CODE)

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

in order to be admitted to trading on the AeRO-SMT market of BVB for CODE shares, several pre-placement operations were carried out, as follows:

a) Convening the General Meeting of Shareholders The shareholders of Softbinator Technologies decided on 09.09.2021 to reduce the nominal value of a Softbinator Technologies share from the value of 1 lei per instrument to the value of 0.1 lei per instrument. As a result of the reduction / split of the nominal value, new shares were issued for the benefit of existing shareholders in a ratio of 9:1 (nine new shares issued for each share held on the date of registration). As a result of this operation, Bittnet Systems owned a number of 225,000 shares, representing 25% of the 900,000 shares issued by Softbinator Technologies.

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

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

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

e) Carrying out private placement Within the private placement, a total of 100,000 CODE shares, respectively 10% of the company's share capital (shares ceded by Softbinator Technologies shareholders to the company's treasury as described above), were offered to investors at a price between 50 and 60 lei per

action. The placement was attended by 143 individual and professional investors, and the offer was closed early on the first day, amid an oversubscription of almost 8 times, the investors placing orders with a total value of over 49 million lei. The final price per share was set at the maximum value of the offer, ie 60 lei. Following the processing of the transaction, Softbinator attracted a cash contribution of 6 million lei. Softbinator shares will be available for trading in the next period under the CODE symbol.

Key Reasons - Reclassifying Softbinator Technologies Investment from Equity Equity Securities at Fair Value through Profit and Loss Account

Following the operations described above, the Bittnet Group reconsidered the investment in Softbinator Technologies on 30.09.2021. Thus, taking into account the fact that at the time of Bittnet's investment in Softbinator, one of the essential elements of the operational construction was Bittnet's access to the capital market, to support Softbinator's development projects, and this differentiating element disappeared with direct access. Softbinator to the capital market by carrying out the private placement with CODE shares, the management of the Group decided to give up the involvement in the management of the Softbinator Technologies activity. Otherwise, the 188,980 shares held on 30.09.2021, representing 18.898% of the capital of Softbinator Technologies, will remain in the Group's portfolio for sale. Also, in December 2021, the Group formally relinquished its position on the Board of Directors of Softbinator Technologies through Ivylon Management. The Group analyzed from the perspective of the provisions of IAS 28, art. 6 a) -e), the criteria for exercising significant influence over the entities in which there is a holding, concluding the following: - The Group no longer holds a position on the Board of Directors of Softbinator Technologies; - The Group does not participate in the strategic decision-making process for Softbinator Technologies (including those related to dividend distributions); - There are no significant transactions between the Group and Softbinator Technologies; - The Group and Softbinator Technologies do not have joint management; - There is no essential technical information exchanged between the Group and Softbinator Technologies. As such, the Group's management has concluded that it no longer exercises and does not intend to exercise a significant influence over Softbinator Technologies as of 30.09.2021. As such, the Group decided to reclassify the remaining holding in Softbinator Technologies as at 30.09.2021 from securities held in equity at fair value. On 31.03.2022, the investment in Softbinator Technologies shares was revalued using the average trading price on the AeRO market from 31.03.2022.

Safetech Innovations

Fair value

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

entering Safetech's shareholding in a percentage relevant to Bittnet and to treat the investment in the same way as the others in the Group.

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

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

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

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

Arctic Stream

Fair value

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

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

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

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

At 30.09.2022, the investment in Arctic Stream shares was revalued using the average trading price on the AeRO market on 30.09.2022.

Chromosome Dynamics

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

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

Chromosome Dynamics achieved a turnover of almost RON 1 million in 2020 and RON 2.5 million on June 30, 2021; The company develops solutions geared to the needs of farmers in order to process processes. CHRD is the developer of the AGROBAZAR APP application, which models the consulting-sale-purchase process in

agribusiness, representing a one stop shop for Romanian farmers. The application provides farmers with consulting in agribusiness, agricultural machinery and inputs - seeds, pesticides, fertilizers so far with over 10,000 active users. Under the investment agreement, the Bittnet Group will have the first option to deliver technology projects with CHRD.

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

CHRD shares were traded on 05.05.2022 on BVB's AeRO-SMT market.

During the third quarter of 2022, the Group liquidated it held in Chromosome Dynamics, so that at the end of the reporting period the Group no longer held CHRD shares in portfolio.

NOTA 10. CAPITAL AND RESERVES

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

	30 sept 2022	30 sept 2021
Share capital	52,848,060	48,043,690
Share premium	9,738,583	14,542,953
Other equity items	(14,189,202)	(19,082,504)
Legal reserves	1,302,262	1,114,139
Retained earnings	7,934,124	(5,599,890)
Current comprehensive result	(5,719,244)	13,722,136
Total	51.914.583	52,740,525

a) Share capital

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

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

Shareholder	30 sept 2022	30 dec 2021
Mihai Logofatu	11.03%	12.05%
Cristian Logofatu	10.14%	11.13%
Other	78.83%	76.82%
Total	100%	100%

Increase in share capital by incorporating 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 in the benefit of the 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 chose (between July 29 and August 4) to let these new shares at the disposal of the Company and 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 RON 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, 43.34% of the total voting rights of the Issuer. Among the options

expressed, 105 shareholders representing 175,297,189 voting rights, 36.93% of the total voting rights, opted for OPTION 1 - for the cash distribution and leaving the newly issued shares at the disposal of the company.

The company distribute to these shareholders the amount of 2,629,453.80 RON 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 capital of Bittnet, registered in the records of the Trade Register, FSA and the Central Depository, is 52,848,059.5 RON, divided into a number of 528,480,595 BNET shares, each with a nominal value of 0.1 RON.

Increase in share capital by incorporating reserves - July 2021

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

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

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

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

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

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

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

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

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

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

Share capital increase, new contributions - February - March 2021

Between January and March 2021, the offer period took place within the capital increase with new cash contributions approved by the EGMS Resolution no. 4 of April 29, 2020. Thus, in Phase 1 – carried out between

January 27 and February 25, 2021 - 17,359,142 new shares (95.49% of the total) were subscribed at the price of RON 0.59 per share. The price provided in the offer (composed of the nominal value plus the share premium) was determined according to the EGMS Resolution and the formula approved by it for the share premium: $[(\text{average trading price last 30 days}) / 1.2] - 0.1$.

The shares remaining unsubscribed during the offer period were offered for subscription within a private placement (Phase 2) which was closed in advance due to the high interest and the small number of shares (819,408 shares remaining unsubscribed after Phase 1). According to the law, the price from the private placement was higher than the price from Phase 1, respectively RON 0,60 per share.

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

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

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

b) Share premium

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

c) Legal reserve

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

d) Other equity items

Essential reasoning – SOP recognition and measurement

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

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

As a result, although at an intermediate stage the "debt" regarding the settlement of the SOP is assessed, the economic substance of the transaction is that they are settled in shares. Therefore, the Group recognized SOP transactions as settled in shares, and recognized and assessed the services received in the Statement of comprehensive income and the corresponding increase directly in equity.

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

Significant estimates - SOP measurement

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

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

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

SOP 2018

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

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

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

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

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

SOP 2019

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

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

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

SOP2020A & SOP2020B – “SOP2020”

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

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

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

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 EGMS Decisions mentioned, hereinafter collectively referred to as "SOP2020".

The strike 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 RON 113,000,000 , respectively the market capitalization from 21.04.2020, for SOP2020B, i.e. the value of RON 101,445,399. 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 demand and supply of shares, 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 (the 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 RON per share (the price approved by the GMS 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 with a number of 26,020,845 BNET shares, transferred by the Central Depository from among the Issuer's treasury shares

SOP 2021

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

SOP 2022

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

NOTA 11. BONDS

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

	<u>30 sept 2022</u>	<u>30 sept2021</u>
BNET23	4,685,326	4,661,869
BNET23A	9,623,384	9,540,798
BNET23C	9,966,667	9,841,667
Interest	442,973	872,768
Total:	<u>24,718,350</u>	<u>24,917,101</u>
Long term	9,623,384	24,044,334
Short term (interest)	15,094,966	872,768

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

BNET23

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

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

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

BNET23A

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

BNET23A bonds have a maturity of 5 years, a fixed interest rate of 9% per year, payable semi-annually and the allocation date was 28 December 2018. The Group used the amounts attracted within the BNET23A issue to finance the IT&C business transfer from Crescendo International SRL and its integration into the

Bittnet Group structure, as approved by the Extraordinary General Meeting of Shareholders on 17 December 2018 and the investment contract described in the Current Report 22/15.10.2018.

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

BNET23C

Between 14 and 18 January 2019, the company carried out a private investment by which it carried out the 5th bond issuance - BNET23C, by which it attracted subscriptions in the total amount of RON 10,000,000, which represents 100,000 bonds, the maximum value of the BNET23C issue, in accordance with the Decision of the Sole Administrator and the Tender Document and according to the Extraordinary General Meeting of Shareholders Decision of 25 April 2018. BNET23C bonds are nominative, dematerialized, corporate, non-convertible and unsecured. BNET23C bonds have a nominal value of RON 100, a maturity of 4 years, and a fixed interest of 9% per year, payable semi-annually. The syndicate of intermediation for sale consisted of S.S.I.F. Tradeville S.A. and S.S.I.F. Goldring S.A. The attracted investment is used to finance the working capital and current activity of the Bittnet Group. BNET23C bonds are tradable on the AeRO market starting with 17 April 2019.

NOTA 12. BANK LOANS

Details regarding bank loans are presented in the following table:

	<u>30 sept 2022</u>	<u>31 dec 2021</u>
BT investment loan	9,724,885	-
ProCredit credit TL	2,457,942	4,400,494
ProCredit linie 4.5 mill.	4,500,000	4,449,384
BRD (IMM Invest)	2,711,107	-
ING linie 2 mil.	794,911	1,080,099
Raiffeisen (IMM invest)	2,430,619	280,080
Total, din care:	<u>22,619,465</u>	<u>10,210,058</u>
Long term	14,466,283	6,327,926
Short term	<u>8,153,201</u>	<u>3,882,132</u>

The group's bank lending structure is mainly made up of revolving overdrafts aimed at short-term financing of specific projects. As of the date of this report, the group has loans and overdrafts for financing current activities at ProCredit Bank, Banca Transilvania, ING Bank, Unicredit Bank, BRD and Raiffeisen, as well as an investment loan contracted from Banca Transilvania. This product was signed for the financing of the two acquisition transactions of Top Tech SRL and zNet Computer SRL. The two companies recently acquired by the Group have bank lines contracted from BRD (TopTech) and Raiffeisen (zNET Computer) to finance their current activity, including through the governmental IMM Invest program.

NOTA 13. INFORMATION REGARDING THE RELATION WITH RELATED PARTIES

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

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

	9 months:	
	<u>30 sept 2022</u>	<u>30 sept 2021</u>
Management	686,116	528,837
SOP	242,219	169,264
Total	<u>928,335</u>	<u>916,556</u>

Datorii	<u>30 sept 2022</u>	<u>31 dec 2021</u>
Key person	79,690	62,093
Total	<u>79,690</u>	<u>62,093</u>

Creante si imprumuturi	<u>31 mar 2022</u>	<u>31 dec 2021</u>
E-Learning Company – imprumut principal	-	240,000
E-Learning Company – dobanda	-	21,304
Total	<u>-</u>	<u>261,304</u>

The loan to the 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 14. EVENTS AFTER THE REPORTING PERIOD**I. Signing of a credit agreement between Dendrio Solutions SRL and Banca Transilvania SA**

On 20.10.2022, the issuer informed investors about the signing of a credit agreement with Banca Transilvania ("BT"). The agreement is in the form of a ceiling/credit line - revolving overdraft - in the amount of EUR 1.8 million and is intended to finance the working capital and current activity of Dendrio Solutions SRL. The maturity date is 12 months with the possibility of extension and the interest is EURIBOR 6M+2.15% per year. The guarantees established for this loan are: movable mortgage on the universality of the outstanding claims of the borrower, mortgage on the bank accounts opened at Banca Transilvania and suretyship contract from the majority partner, Bittnet Systems SA. The withdrawals from the BT loan will ensure the pre-financing component for the IT&C integration projects, present and future, of Dendrio Solutions, thus strengthening the bank financing structure of the Group. The Group's management chose to explore the opportunity to borrow in foreign currency, considering the evolution of monetary policy interest rates over the last year, which led to the increase of interest on loans in RON

II. The capital increase operation with new cash contributions and receivables resulting from M&A transactions

On 16.09.2022, the issuer informed the investors and the Market about the Decision of the Board of Directors ("CA"), from the same date, regarding the increase of the share capital by issuing a maximum number of 105,696,119 BNET common shares offered for subscription to the shareholders of on the registration date 13.10.2022. The subscription price was set by the CA at 0.31 lei/newly issued share. To subscribe to a new share, 5 BNETR16 subscription rights are required, rights that were allocated on 14.10.2022 in the shareholders' accounts from the date of registration. The offer period for the subscription of new shares, within stage 1, will take place during 30 days. After the approval of the increase prospectus by the ASF and after the 30 days of the public offer, the remaining unsubscribed shares will be offered for subscription in a private placement, including to people who have certain liquid and receivables certificates due on the issuer. These receivables resulted from the M&A transactions and will be converted into BNET shares within this Operation. The people who own these debts are the founding shareholders of The E-Learning Company, Nenos Software, IT Prepared and TopTech. The price of these M&A transactions also included a deductible component in BNET shares, according to the investment contracts. The total amount of these creditors' claims on the Company, the amount that will be converted into BNET shares during Stage 2 of the capital increase operation, is worth 10,082,103 lei. If the operation will be 100% successful and all 105,696,119 new shares will be subscribed within the 2 stages, the Company's equity will increase by the amount of 32,765,796 lei, of which 22,683,693 lei are new contributions cash. The operation calendar, the offer period (Stage 1), as well as the private placement (Stage 2) will be established by the operation prospectus, which will be published by the Issuer after receiving approval from the ASF

III. EGMS – 12 December 2022

The Board of Directors of the Company convened the AGM for 12.12.2022 at the Company's address in Bucharest, Str Sergent Ion Nutu, no. 44, One Cotroceni Park, Building A and Building B, floor 4, sector 5, in which the shareholders registered in the shareholder register kept by the Central Depository at the end of 02.12.2022 are entitled to participate and vote. The agenda of the meeting includes, among others, the approval of ceilings for the issuance of corporate bonds, convertible and non-convertible, in RON and EUR,

and the basic coordinates of the issues: nominal value, maturity, interest, as well as the authorization of the Board of Directors take all steps for the issuance and listing of bonds at BVB. Also on the agenda is the ratification of several decisions of the Board of Directors regarding the contracting of some investment credit products and for the financing of the working capital of the subsidiary company Dendrio Solutions.