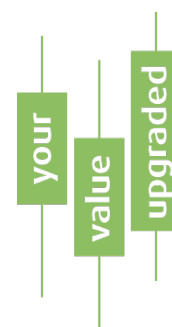


ANNUAL REPORT (preliminary) for FY 2022

For the financial year	01.01.2022 - 31.12.2022
Date of the report	February 24, 2023
Name of the company	BITTNET SYSTEMS S.A.
Headquarter	44 Sergent Ion Nutu st., One Cotroceni Park, Corp A and Corp B, 4 th floor, District 5, Bucharest
Correspondence address / Working point	44 Sergent Ion Nutu st., One Cotroceni Park, Corp A and Corp B, 4 th floor, District 5, Bucharest
Phone / fax no.	021.527.16.00 / 021.527.16.98
Sole registration Code with the Trade Registry	21181848
Trade Registry Registration Number	J40/3752/2007
The regulated market on which the issued securities are traded	Bucharest Stock Exchange, Standard Segment
Subscribed and paid-in share capital	52.848.059,50 RON
The main characteristics of securities issued by the company	528.480.595 shares with the nominal price / face value of 0.10 RON per share ¹
Trading Symbols	BNET - shares BNET23, BNET23A, BNET26E - bonds
ISIN Code	ROBNETACNOR1
Contact	investors@bittnet.ro



¹ At the date of publication of the present documents, the Issuer is carrying out a capital raising operation through the mechanisms of the BSE. In the event that all the shares offered in the capital increase are subscribed, the share capital will consist of 634,176,714 common shares.

Key Information

Key result, historical, thousands of RON:

	Turnover	Operating profit	Net Profit	Operations CashFlow	Assets	Cash	Equity	Mkt. Cap.
2014	8,180	582	115	394	5,428	813	865	7,896
2015	9,993	1,608	889	471	8,253	3,008	1,920	8,108
2016	13,667	1,929	870	-1,768	10,446	2,355	3,100	21,418
2017	27,682	2,743	1,206	373	30,898	11,060	5,961	31,941
2018	47,891	1,319	4,408	3,397	59,069	13,048	14,001	55,530
2019	99,750	838	-2,631	8,502	88,462	20,824	12,372	112,717
2020	109,192	5,930	1,025	8,120	102,353	24,873	27,646	157,586
2021	112.591	3.880	14.424	4.242	133.961	23.405	55.249	161.907
2022	192.732	8.507	-1.832	17.867	220.396	42.300	57.827	155.902
CAGR	48%	40%		61%	59%	64%	69%	45%
YoY	71%	119%	-113%	321%	65%	81%	5%	-4%
Main Market	170%	915%		110%	149%	103%	367%	38%

Historical growth rates, comparison with market indices, and return on investment for shareholders who have contributed to the company's growth

Year / %Growth	revenues	Assets	Equity	Mkt. Cap	BET-XT
2015	22%	52%	122%	3%	-4%
2016	37%	27%	61%	164%	3%
2017	103%	196%	92%	49%	15%
2018	73%	91%	135%	61%	-8%
2019	108%	50%	-12%	94%	32%
2020	9%	13%	123%	21%	-4%
2021	4%	31%	92%	2.74%	31%
2022	71%	65%	8%	-4%	-11%
Average	53%	66%	78%	55%	7%

Operation	Amount
Equity on April 15 2015	-864,743
MCS 05-Dec-17	-807,127
MCS 14-Dec-18	-2,892,205
MCS 10-Apr-20	-9,168,712
MCS 02-Mar-21	-10,725,345
Buyback on Aug 22	2,603,000
Equity on Dec 31, 22	57.826.668
Of which, amounts drawn	20,990,389
IRR	34.6%

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Letter from the CEO

The year 2022 marked the transition to a new level of development, with our efforts towards growth, both organic and through acquisitions, leading to the largest increases in the company's history in terms of revenue, gross margin, operating profit, cashflow, equity, and cash position. At the same time, for the second time in 16 years, 2022 also brought a visit into negative gross profit territory, mainly due to various non-cash adjustments required by IFRS standards.

The consolidated revenues of the group increased by 71%, reaching 192.5 million lei, while the gross margin increased by 74% to 42.3 million lei. **The Operating Profit increased by 120%, reaching the value of 8.5 million lei - approximately the entire turnover of the year prior to listing.** The financial result decreased from a profit of 9 million lei in 2021 to a loss of 7.6 million lei in 2022, with 75% of the difference explained by the different impact of non-cash mark-to-market revaluations of our holdings in other listed companies. These influences are described in detail in the "2022 Pro-Forma Results of the Bittner Group" report, published on February 10, as well as in the "Financial Results Analysis" chapter.

2022 marks the 6th year of positive operational cash flow: nearly 18 million lei, a value 4.5x higher compared to 2021. The cash position at the end of the year (42 million lei) represents approximately 25% of the company's market capitalization. Combined with the ongoing capital increase (where we estimate to rise 20 million lei in cash) and the fact that trade payables are approximately equal to trade receivables, we consider the financial position with which we begin 2023 to be very solid.

In 2020, upon the transition to the main market, our undertaken goal was to achieve a turnover of 500 million lei by the end of 2024. If we eliminate the effects of M&As carry on in 2022 results, we see a turnover of 158 million lei, representing organic growth of 41% compared to 2021 - in line with historical annualized growth. **In our 16 years of activity, we have repeatedly proven that our Group is built in such a way as to enjoy the effects of compounded growth (the "compounding effect"), with a growth rate of approximately 40%.** This means that without any other acquisitions, we can reach the threshold of 500 million lei in revenues in 2024 only from organic growth. Such growths never come linearly, but in the long run, the famous quote according to which 'people underestimate what can be achieved in 10 years' is confirmed.

We continue to witness how all relevant business indicators have registered growth rate (annualized) of over 40% in the 8 years since listing on the Bucharest Stock Exchange, and we believe that there are strong premises so that this positive trend will continue in the future.

After a period in which we focused on successfully completing acquisitions of companies and integrating them into the Bittnet group, as well as on accelerating organic growth, we are now approaching the critical mass that we set out to achieve. In our opinion, reaching critical mass in the shortest possible time is the most difficult stage. During this stage, net profitability differs significantly from operational profitability. However, given the size achieved in 2022, and the m&a transactions in pipeline, as well as the current size and composition of the team, we believe that in 2023, we can start to focus more on extracting profits from the business.

On February 22nd, 2023, Bittnet celebrated its 16th anniversary since its founding, a period in which we have gone through three cycles of development and experienced two crisis periods (2008-2010 and the current Covid+War+Inflation). We concluded the first growth cycle in 2011 with the investment from Razvan Capatina. The second growth cycle from 2012-2014 ended with our listing on the AeRO market, when we became the first public IT company in Romania. Between 2015 and 2020, we attracted over 10 million euros in the form of capital and loans, which helped fund our accelerated development, including our first M&A transactions.

In 2020, with our 'move' to the Main Market, we also concluded the third growth cycle, at which point we set the goal of becoming a regional technology services group with total business of 500 million lei by the end of 2024. We believe that from this position, it is easier to generate greater profitability in nominal terms compared to a company with 100 million lei. **In the three years since moving to the Main Market, we have doubled our sales, assets, cash, and increased our operating profit 10 times.**

While we look towards 2023 with confidence, we do not underestimate the difficulty of this year, both in terms of external factors such as market conditions, geopolitical context, inflation, workforce issues, supply chain delays, etc., as well as given internal challenges related to the continued operational integration of all current and future companies into the structure and business processes of the group

In the strategy for 2023, an important component is the increase of operational profitability, growth of recurring revenues and the increase in the proportion of services provided outside the country's borders. As a service-based business dependent on the size and quality of the workforce, we will continue to invest in increasing our capacity to attract suitable people and in their technical and human development. In this sense, an important pillar is represented by the leadership skills development program dedicated to all colleagues who manage teams, without which we cannot discuss sustainable growth in the medium and long term. 2023 is perhaps the most important year in preparing the organization to achieve the objective of 500 million lei in 2024, as well as for the next growth cycle, 2025-2028.

We start this year well positioned as to achieve the objective of total revenues 500 million lei in 2024:

- *Our revenue generation capacity exceeds 250 million lei and the average annualized growth rate is 40%.*
- *We have signed a new significant transaction (for which we are awaiting the approval from the Competition Council), while we are working on two more.*
- *Our financial position is very solid, with equity approaching 100 million lei, the cash position representing one third of the capitalization, and the operations generating significant cashflow.*
- *The new Bittnet has a stronger shareholding structure - institutional investors who believe in our future plans.*

Thank you joining us on this journey and we invite you to the annual investor event that will take place on April 20, 2023 at Bittnet headquarters located at 44 Sergent Ion Nutu street, One Cotroceni Park, Corp A and Corp B, 4th floor, district 5, Bucharest.

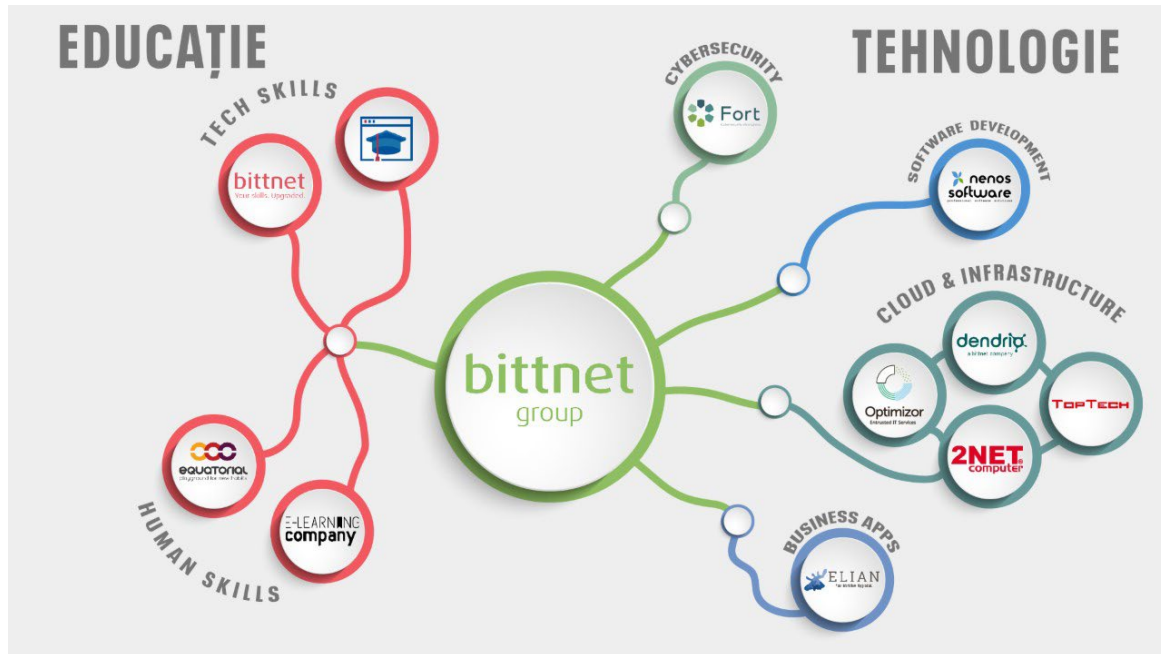
Mihai Logofătu,

Co-founder and CEO Bittnet Group

Financial Statements Analysis

Operational activity in 2022

At the end of 2022, the Bittnet group consisted of 14 active companies grouped under several business pillars – brands:



On February 10th, we published the "[2022 Pro-Forma Results of Bittnet Group](#)" report, which includes an analysis of each company within our group/each pillar of our activity, which I invite you to read. One of the key messages is that the diverse structure of the group (companies with different portfolios, different stages of company development, etc.) gives each company, but also the group as a whole, a unique resilience - a step towards antifragility. Some business lines had a good year, while others had a weaker year - a natural occurrence, which allows for smaller annual fluctuations when consolidated. Perhaps more importantly, it allows us to quietly build the processes that will continue to produce value in the long term. I would like to reiterate some key ideas that illustrate the operational excellence of the group:

- The combination of recruiting 90 new colleagues (approximately one every three working days) and a staff fluctuation of 15%, well below the industry average, helped us exceed 400 team members across our 10 offices nationwide.
- The number of trainees instructed by our colleagues at Bittnet Training confirms our undisputed market leader status: 6,000 trainees, 530 training sessions (12 training sessions per week with an average of 12 trainees per session) - almost double compared to 2021.
- The colleagues from Optimizor handled 5,500 tickets, and out of these, 99.99% were handled within the Service Level Agreement (SLA) and have saved over 5,000 hours of human intervention through the automation implemented for our clients.
- The colleagues from Fort worked over 60,000 hours to ensure the safety of our clients: +50% security audit projects and +35% security consulting projects.
- The colleagues from [Dendrio](#) delivered 60% more Cisco projects with security components compared to the previous year

- The colleagues from [Elian](#) doubled their team as to be able to deliver at least one go-live / month, thus registered their highest number of delivered products over one year.

At the moment, we believe that, at a group level, operational profit is not representative of what we consider the organization CAN and SHOULD deliver. Although consolidated IFRS operating profit has increased compared to 2021, it is lower on a comparable basis (pro-forma - taking into account TopTech and zNet results from 2021) compared to the profit of 2021 or the budgeted one. Below are the factors that contributed to recording an operating profit below the budgeted one:

- The increase in team costs, driven by high inflation levels.
- Delays in deliveries by suppliers, which resulted in lower workload compared to 2021 (the delivery team is in full considered a cost of deliveries) - and therefore a decrease in gross margin as a percentage of turnover.
- The increase in the sales support team (customer support, customer success, sales development) that will be able to support this year's and the future growth. This is worth emphasizing: each transition from one size level to another generates a step increase in fixed costs (indirect). However, if the size and composition of the team are properly selected, in the next period (1-3 years), there will be a much faster increase in operating profits than in gross margin, as a result of the "operational multiplier".

For 2023, we have implemented the following changes in the Cloud & Infrastructure pillar, in order to refocus the organization on operational profitability:

1. We have modified the go-to-market strategy:
 - Sales approach based on business verticals (we have established vertical focuses such as public sector, finance, telecommunication, manufacturing, retail, IT services);
 - Moving operational tasks of sales teams to a sales support team, which allows the sales teams to focus on clients (increased presence of sales representatives at client sites);
 - Diversification of the solutions portfolio (vendors and partners);
 - Re-evaluation of the client portfolio - focus on clients with a turnover of over 20 million euros (and an IT budget of over 500k euros per year);
2. Cost control:
 - Monthly evaluation of the "billable workload of the delivery team";
 - Continuous monitoring of projects in terms of staying "in scope and in budget";
 - Continuous evaluation of PMO and delivery teams as independent P&L centers and accordingly adjusting.

Profit and loss statement

Revenues, Expenses, Operating Profit

BNET GROUP	31.Dec.22	31.Dec.21	Evolutie
Revenues from customer's contracts	192.732.453	112.576.327	71,2%
Revenues from performing services	65.251.105	38.619.377	69,0%
Sale of goods	127.481.349	73.956.950	72,4%
Cost of sales	150.278.364	88.182.261	70,4%
Cost of sales / materials	108.506.138	63.945.877	69,7%
Servicii cloud	5.364.091	5.491.123	-2,3%
Hours / Person	36.408.136	18.745.261	94,2%
Gross margin	42.454.089	24.394.065	74,0%
Other revenues	3.481.459	4.087.086	-14,8%
Sale / distribution expenses	13.793.331	9.547.280	44,5%
Hours / Person	11.684.265	7.740.370	51,0%
Publicity	2.109.066	1.806.910	16,7%
Administrative expenses	23.685.203	11.581.168	104,5%
(out of which)			
Hours / person	9.248.097	4.813.772	92,1%
Amortization / writing off	4.413.905	2.388.267	84,8%
Other third-party services	4.771.625	2.303.708	107,1%
Operating profit (without one-offs)	8.507.082	3.879.526	119,3%
One-Off elements	(50.069)	3.473.178	-101%
EBIT	8.457.014	7.352.704	15,0%
EBITDA	12.870.918	9.740.971	32,1%

The consolidated revenues are significantly higher than the ones in the budget, as a result of the inclusion of TopTech and zNet companies in the consolidation area. Excluding their contribution, the revenue budget is achieved at a rate of 101%. The gross margin has increased, as always, slightly more than the sales (78% vs 2021), while sales and distribution expenses are perfectly within budget, increasing, as expected, less than the generated gross margin.

On the other hand, administrative expenses have increased significantly as a result of the combination of two factors: the increase in costs associated with the team, under the pressure of inflation, and the actual increase in the SG&A team (customer support, customer success, sales development) - which we sized in 2022 as close as possible to the 'final' size required to deliver business worth 500 million lei.

Ultimately, the group's operating profit has increased by over 100% to 8.5 million lei - a value that is not 'boosted' by one-off elements such as the case in 2021 with the sale of the Autodesk business line. **We emphasise that there is no year in which we have not recorded operating profit!**

The element that differentiates the results of 2022 from the 2021 results is the contribution of financial profit to gross profit: while in 2021 the mark-to-market revaluations of our holdings brought financial profit equal to the operating profit, this year the cash sales of participations in group companies were accounted for only through capital accounts, and the mark-to-market revaluations of holdings of listed companies were revalued through P&L. As a result, the comparative impact on gross profit is 12.5 million lei less favorable. Additionally, during 2021 we had two significant non-recurring items with a positive effect - the sale of the Autodesk business line and a write-off of debts in ISEC and CLC companies, while in 2022 we have a negative non-recurring item, also of the non-cash type - the goodwill impairment for the Equatorial investment.

BNET GROUP	31.Dec.22	31.Dec.21	Evolution
EBITDA	12.870.918	9.740.971	32,1%
Operating profit (without one-offs)	8.507.082	3.879.526	119,3%
One-off results	(50.069)	3.473.178	-101%
EBIT	8.457.014	7.352.704	15,0%
SOP adjustment	(890.381)	(1.066.911)	-16,5%
Goodwill impairment	(495.000)		
Costs with M&As	(1.650.821)	(1.552.402)	6,3%
Earning / loss securities in equivalent	273.630	773.014	-64,6%
Revenues / expenses from the revaluation of securities	(2.888.985)	9.736.569	-129,7%
Financial expenses	(4.733.857)	(640.482)	639,1%
Gross profit	(1.928.401)	14.602.491	-113,2%

In 2018 we acquired Equatorial, and, in the following years, the team was fully and effortlessly absorbed and integrated into our group's training division. As a result, Bittnet Training has much wider access to customers, has one of the most modern forms of organizing workflows and processes in the market, and marketing and sales processes have been carried out and integrated into the training division. The overwhelming majority of the revenue is accounted for by Bittnet, and Equatorial has neither significant revenues nor costs.

As a result of the integration of the Equatorial team, the **Education Division** grew from 10 million to 21 million lei between 2019-2022, years during which we had a pandemic, lockdowns, inflation, and war. In 2018, the two companies (Equatorial and Bittnet Training) generated education revenues of just under 10 million lei and a gross margin of nearly 4 million lei. In 2022, the two companies generated revenues of just under 21 million lei and a gross margin of nearly 12 million lei (more than the 2018 turnover!). However, since we did not issue "enough" invoices from the Equatorial company, the auditors request that we treat the Equatorial investment as a loss.

Another one-off element is the restatement of the costs related to "held companies" assets differently from the treatment of costs for obtaining other assets. Thus, as a result of the modification of the financial reporting framework (Amendments to IFRS 3), an exception was introduced to the general requirement for recognition of acquired liabilities and contingent liabilities in a business combination that falls within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and IFRIC 12.

Service concession agreements. The auditors have requested that we modify the treatment of due diligence, legal consulting, and M&A advisory costs to be recognized as expenses instead of being capitalized as part of the purchased asset's value. This restatement also applies for 2021, audited by BDO, and has an additional negative impact of 1.5 million lei in 2022. However, this element is the only cash element outside of interest expenses in the entire chapter of financial adjustments and IFRS.

Financial Profit – Investments in listed companies

Additional to the companies listed in the chapter regarding operational activity, Bittnet Group also holds several participations in companies listed on the BVB, based on the philosophy of 'buy stock in businesses that you would like to own yourself.' We believe that it's more useful to own a smaller portion of a company we like rather than nothing at all. These holdings are reevaluated annually through the profit and loss account. In 2021, the reevaluations of holdings through the P&L account brought in a profit of 12 million lei, while in 2022, the holdings recorded a market value decrease equal to 3.4 million lei.

For example, the purchase of shares for 1.2 million lei two years ago, shares which were worth 12 million lei on December 31, 2022, is recorded as a loss because at the beginning of 2022 their market value was 16 million lei. If we do not consider returns, IRR rates, or multipliers and only look at the "cash on cash", we have allocated a total of 6.25 million lei in stock investments from 2020 to 2022 and recovered a total of 6.1 million lei. **Thus, we have a cash exposure of 140,000 lei, which is worth approximately 14 million lei on the stock market.** Although we believe that both CODE and AST shares are significantly more valuable, IFRS provisions require us to publish a revaluation loss THROUGH THE PROFIT AND LOSS ACCOUNT of approximately 3 million lei, while any investor would want to have a liquid asset of 14 million lei for which they paid 0.14 million lei!

Financial Profit – Sales of minority participations in group companies

In our journey towards the 2024 goal of 500 million lei in business, we rely on operational transformation and an extensive M&A investment program aimed at consolidating our current portfolio and continuously expanding it. In 2022 we completed two investments (TopTech and zNet joined the Cloud & Infrastructure pillar, bringing a capacity to generate annual revenue of 100 million lei), and we have signed a new transaction: if we receive approval from the Competition Council, Dataware will also join the same pillar, bringing an additional capacity of approximately 70 million lei in annual revenue generation in strategic infrastructure projects.

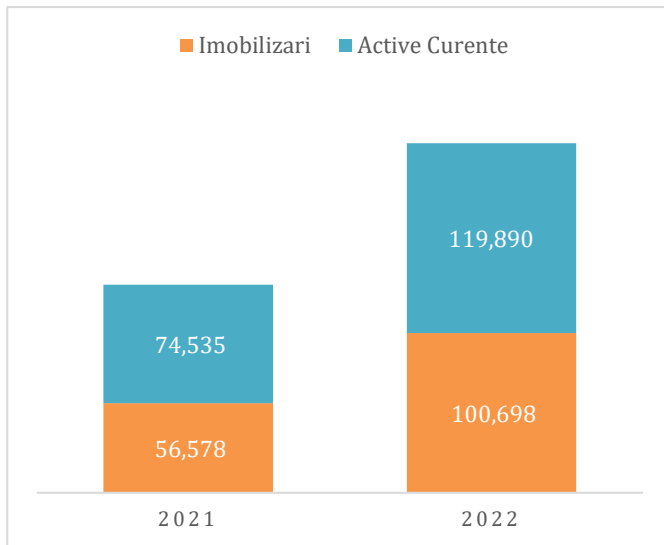
During 2022, we continued to attract investors to the companies in our group by selling a 12% stake in Dendrio's capital (the company that leads and consolidates the Cloud & Infrastructure pillar) to Agista, for 7.5 million lei (acquisition cost of 800,000 lei), and a 14% stake in TopTech for 3 million lei (acquisition cost of 1,8 million lei). According to IFRS standards, transactions actually carried out with shares in companies where we are not minority shareholders are accounted for through equity. In other words, the purchase of shares five years ago for 700 lei and their sale in 2022 for 7,000 lei in cash is not considered a profit element.

Our sales of shares from companies within the group, which generated a cash surplus of approximately **8 million lei, are not accounted for through the P&L.** In other words, purchasing shares for 700 lei five years ago and selling them for 7,000 lei in cash this year is not considered profit. On the other hand, purchasing shares for 120 lei two years ago that we still hold today, which are listed and worth 1,200 lei, is recorded as a loss because their market value at the beginning of the year was 1,600 lei.

Combining the treatment of listed holdings with that of unlisted investments in group companies, the IFRS situation differs significantly from that of any individual investor. Such an investor, with the same history as us, would have had an income statement with a profit of 8 million lei, while IFRS accounting presents the above situation for Bittnet as a loss of 3.4 million lei.

Consolidates Financial Statements

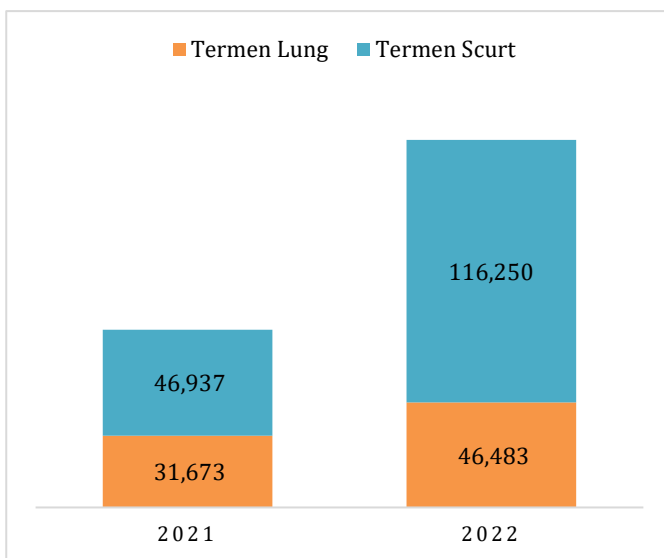
The figures from the graphs are expressed in THOUSANDS RON.



The increase in fixed assets is due to M&A investments made (an increase in goodwill of 16.8 million lei), the recognition of the One building as an asset where our office is located (21.2 million lei) - in accordance with IFRS16, and TopTech's position as "technology equipment" (2.4 million lei).

The increase in current assets is partially due to an increase in accounts receivable from customers by 30 million lei (90% increase - slightly faster than the growth in revenue) and an increase in cash by nearly 19 million lei (80%)

The consolidated cash position amounts to 43.2 million lei.



Long-term debts have increased by 16.4 million lei, as follows:

- A decrease of 14 million lei due to the reclassification of bonds as short-term liabilities;
- An increase in bank debt by 11.5 million lei - the amount for the LBO of TopTech and 2Net.

Short term debts have increased by 66 million lei as a result of:

- The approaching maturity of the bond issuances (+24 million lei, of which 10 million lei have been repaid in January 2023);
- An increase in trade payables by 36 million lei, in line with receivable from customers and business.

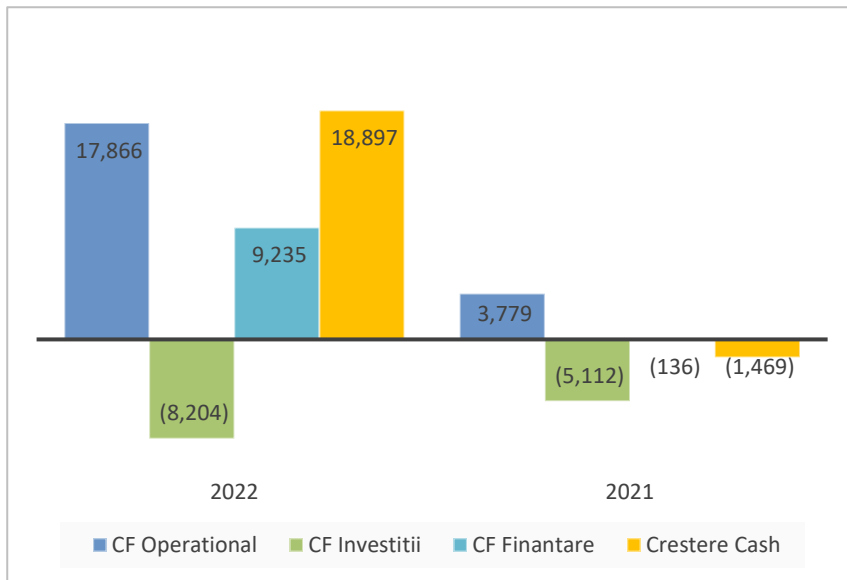
At the end of 2022, M&A related debts amounted to 10.7 million lei - converted to equity (capital) by the decision of the Board of Directors in September 2022 - not yet recorded until the end of the capital increase (March 2023), and trade payables amounted to 66.9 million lei, covered to the extent of 94% by receivable from customers. A sub-unitary coverage of trade payables with trade receivables would signal a negative element if the cash position had not increased by 10 million lei more than the operating profit. In other words, we have recorded an efficient and perhaps too aggressive management of the relationship with suppliers.

The net book value (**shareholders' equity**) is at the highest value in history - **58 million lei, up 5% from last year**, despite the gross profit being negative, no capital increase being carried out, but on the contrary, we carried out share buybacks of 2.6 million lei. This provides another measure of the relative utility of gross profit

figures resulting from IFRS adjustments. Only 35% of equity comes from capital increases, and 65% was generated by the business in the 16 years of activity.

Consolidated Cash Flow

If 2021 could be summarized by the statement "financing activity has been neutral, while cash from operations was allocated to new investments - the purchase of new companies," then 2022 can be simply described as "financing activity brought in 9.2 million lei, almost entirely allocated (8.2 million lei) to the purchase of new companies, while the cash generated from operations is entirely reflected in the cash increase - the cash position at the end of the year".



2016 remains the only year in the company's history in which the operational cash flow did not record a positive value.

Relevant elements in the cash-flow evolution:

- The variation of working capital added 6.4 million lei to the operating cash flow, unlike in 2021 when it decreased by 5.5 million lei.
- In 2022, we invested 15 million lei in the acquisition of compa-

nies, an increase of 6 million lei compared to 2021.

- We acquired fixed assets worth 3.9 million lei (2.65 million lei in offices space and 1.3 million lei investments in IT platforms).
- Transactions with listed financial assets brought in 700 thousand lei in cash
- We allocated 2.6 million lei for share buybacks - a value returned to shareholders and taken into account in calculating the IRR of equity
- We carried out a euro-denominated bond issue of almost 10 million lei and accessed bank loans of almost 10 million lei.
- We paid 3.3 million lei in interest and 1.4 million lei in dividends to minority interests.

It is worth noting that the CAPEX investment requirements for maintenance are specific to the IT sector in which we operate - around the low level of 1% of the annual turnover, which is beneficial for the investors.

BNET Investment Thesis

From the beginning of our journey as a listed company, we have tried to convey as transparently as possible what our value proposition is for investors. In other words, what we offer investors, what our investment thesis is and why they should trust us.

This can be very simply addressed in the phrases below.

Investing in BNET shares for a medium to long term will provide exposure to the rapidly growing Romanian IT&C industry, together with a management team that not only has skin in the game, but has also demonstrated, over 15 years, better results than the industry average, both operationally and in terms of capital management.

Every decision we make is aimed at building an antifragile group, so that we have the most powerful force - time - with us ("Time is the friend of the wonderful business, the enemy of the mediocre"). The second element is the combination of 'good operations' and the ability to manage capital, as described in the book "The Outsiders - 8 Outstanding CEOs". Here are some arguments for each component of this investment thesis:

- Choosing an industry with favorable prospects is a decision that greatly eases the work of investors and reduces the importance of selecting competent management: 'a rising tide lifts all boats'. There hasn't been an industry with a more continuous growth over the past 20 years than the IT&C industry
- Having a management team with 'significant skin in the game' solves the 'principal-agent' issue that is often the subject of complaints from investors in the Romanian capital market. If the management's prosperity comes from the same sources, through the same mechanisms as that of small shareholders, the most important conflict is eliminated. In our case, the value of BNET shares represents both the largest part of personal wealth and the largest part of income for management (unlike salary, the compensation policy based on options aligns management income with the wealth brought to shareholders).
- Proven operational track record: in addition to numerous international recognitions (Deloitte Top 50 in Tech, Financial Times Top 1000 Fastest Growing Companies, EY Entrepreneur of the Year finalists, etc.);
- A demonstrated track record from a capital management perspective: the historical rate of growth of shareholder equity raised through capital market mechanisms is over 35%, which strengthens our confidence in the adopted financial model, which we intend to continue to apply as long as the results remain visibly better than the market average.

The Buffett test for capitalizing profits vs. pay out of dividends

One question we sometimes receive from investors is about dividend distribution and, more precisely, why we do not proceed so. As we have stated since our listing and on numerous occasions, as long as we are in the "high growth" stage, we do not intend to distribute dividends, because the money left in the company grows much faster than it could in any other investment alternative. We have compensated for this by offering free shares from the value created by the group, and additionally offering the option for investors to "sell" these free shares back to the company, which has generated implicit cash distribution for those who have opted for it.

So far, we have demonstrated the above statement by calculating the growth of the company's shareholder equity value by comparison to the capital raised (Net Book Value compared to Cash Raised in Capital Increases). This test has revealed an **IRR of approximately 36% per year for the invested capital**. Additionally, by analyzing the growth of shareholder equity generated by the business (excluding capital raised on the stock exchange) each year relative to shareholder equity at the beginning of the year, **our Group has an average ROE of approximately 55% in the 8 years since listing**. Relevant calculations are presented on Page 2 - Key Information.

The previous perspectives show how we have created value from an accounting perspective - intrinsically. "Price is what you pay, value is what you get." To evaluate whether or not we have created wealth in terms of market capitalization (the stock price being often the only indicator followed by retail investors), there is a famous test: the "Buffett" test for capitalized profits.

	Profit in the year	MCS / buy-back	"Retained" during	"Retained" in total, 5y rolling	Equity	Mkt. Cap.	5y Mkt Cap Increase	Buffett Multiplier
(1)	(2)	(3)	(4)=(2)+(3)	(5)	(6)	(7)	(8)	(9)=(8)/(5)
2014	115				865	7,896		
2015	889	0	115		1,920	8,108		
2016	870	0	889		3,100	21,418		
2017	1,206	807	1,677		5,961	31,941		
2018	4,408	2,892	4,098		14,001	55,530		
2019	-2,631	0	4,408	11,187	12,372	112,717	104,821	9.4
2020	1,025	9,268	6,637	17,709	27,646	157,586	149,478	8.4
2021	14,424	10,725	11,750	28,570	52,740	161,907	140,489	4.9
2022		-2,604	9,170	36,063	71,006	158,666	126,725	3.5

A simple wording for these calculations is that, if we analyze the investment over a 5-year period, as a stock market investment is recommended, **every unit / leu allocated to our company (either by capitalizing profits or participating in capital increases) has brought at least 3.5 lei to the shareholders' pockets**.

Of course, some investors may consider that any of the components of the investment thesis described above do not fit their investment style. However, we would like for our shareholders to understand the "bet" they are making when they invest in Bittnet Group's stocks: the fact that the vision of accelerated growth towards a turnover of 500 million lei generates a unique opportunity in the medium and long term and that, sometimes, the evolution of quarterly, semi-annual or annual results will register fluctuations. We, the management team,

are here to clarify these fluctuations and guide our journey together towards a turnover of 500 million lei annually, without aiming at the stock price, which, on the contrary, is decided by shareholders and generally by the context of the capital market. We will focus primarily in 2023-2024 on extracting profit from the new dimension of the group built over the past decade and approaching the critical mass we set out to achieve. However, we are convinced that in the long run, the company's value will reflect the business results and accumulated investments in the companies acquired and integrated over the years.

We conclude this chapter by reminding that no investment in a company's stocks is without risks, and we kindly ask you to carefully read the Risk sections in the universal registration document or on the dedicated website for investor relations before making an investment decision.

Description of the operational activity –2022 events

EDUCATION Division

Under the leadership of Dan Berceanu (VP of Education), this business pillar includes 3 companies that offer adult training in two areas: Technical Skills and Human Skills, both in classic, face-to-face and Virtual Remote formats with an instructor or in eLearning format. These companies are:

- **Bittnet Systems SA** (sole registration code 21181848): the parent company of the group, listed on the BSE. It operates as a holding company and also provides IT training services, led by Cristina Ratiu (CEO Bittnet Training), being the undisputed leader in this market in Romania.
- **Computer Learning Center SRL** (sole registration code 26065887), fully owned by Bittnet, is an IT training company with a focus on cybersecurity, founded in 2009, with a long history of serving corporate clients.
- **Equatorial Gaming SA** (sole registration code 30582237) currently 99% owned by Bittnet, is a game-based learning company that offers softskills training for the IT industry, both in classic form and gamified
- Additionally, Bittnet owns 23% from **The eLearning company SA** (sole registration code 30760571), an entrepreneurial company that offers eLearning courses for companies. Founded in 2012, it recorded another significant revenue growth year in 2022, reaching 4 million lei.

In 2022, we recorded a significant increase in the parameters and indicators of the Education division. Both the turnover and the number of projects, team members, prepared students and trainers we worked with have increased. This efforts to increase adaptability, as well as the ability to think creatively and innovatively and find delivery solutions.

One of our strategic priorities for the past year was to build a functional and responsible middle management team, realizing that this structure is the backbone of our division. We are pleased to say that this objective has been achieved at the end of the year. We now have a "Head of..." for each team involved in the Buyer's Journey and a management team made up of professionals who work together and support each other.

In addition to the management team's training sessions, which also referred to the functional teams, finding the right delivery resources (trainers) continues to be the biggest challenge for the division. Therefore, towards the end of the year, we developed a coherent strategy to increase this pool of resources and become a center of excellence in delivering IT training and human skills for people in the IT industry. We expect the results of this new approach to produce effects in the first half of 2023.

Last year also represented the moment when we managed to integrate all the brands in the Education Division into the same operational flow - the Buyer's Journey - and develop all the technology infrastructure to monitor activity and allow us to measure and improve both the process and performance in each functional team.

We invite you to discover the main events and achievements of each team involved in the Buyer's Journey in the following sections, structured in a new format, namely before, during, and after the sale to the client.

BEFORE THE SALE teams: Marketing & Product

Technical Skills business line

In 2022, we laid a solid foundation in terms of extended market communication and increasing brand awareness for Bittnet Training among consumers. Thus, the marketing plan was focused on awareness campaigns, with the emphasis on increasing current audiences.

The awareness activity, together with well-defined lead nurturing processes, helped the sales funnel generate a total of 600 MQL (Marketing Qualified Leads), a 20% increase in qualified leads compared to the previous year.

Through the websites www.bittnet.ro, www.ctrln.ro, and www.devopsartisan.com, we managed to interact with over 110,000 unique visitors, and the digital campaigns we conducted were displayed to over 8 million users in total. These results form the basis on which we are building a complete interaction and sales process for the IT market in Romania this year.

In 2022, the Product Management department introduced two new vendors to the Bittnet portfolio, EC-Council and Ui-Path. In addition, we expanded our training offerings in the DevOps tool area by adding Prometheus and Grafana courses to our portfolio.

On a national level, we strengthened our relationship with Microsoft Romania, which resulted in a series of large projects carried out in partnership with them, including the training of approximately 900 public administration employees.

Thanks to the close relationship we have cultivated with Cisco, in 2022 Bittnet was on the shortlist of companies that could accept payment through Cisco Learning Credits vouchers, and one of the few partners that received the green light to develop a custom Cisco course that will be sold globally only by Bittnet.

Another important vendor where we focused our efforts was AWS, where we were selected to be part of the AWS Fully Funded pilot program, in which the vendor fully sponsored the participation in professional-level courses of some strategic partners.

In terms of promoting, the department focused on generating leads by developing relevant content and product campaigns for vendors of interest. We have created a total of 4 e-books on tech trends, cybersecurity, and cloud topics, and launched a total of 10 promotional campaigns, generating a total of 912 downloads of educational resources and approximately 294 of the total inbound leads.

In the last part of the year, according to the strategy of strengthening and expanding the business model, we worked on creating a video studio and setting up a relevant content plan, both initiatives being the starting pillars for the proprietary e-learning product to be developed in 2023.

Human Skills business line

In order to improve the experience of users, especially training consumers, the development of the website www.equatorial.ro and the iKnowLMS platform were part of the infrastructure development process to support future marketing activities.

Throughout March-April 2022, we conducted a quantitative study of the Romanian market in which we enrolled over 300 respondents - IT team leaders - to identify their needs in developing social and interpersonal skills. This study consolidated the training product designed specifically to meet the needs of IT leaders in the development of human skills. Together with the quantitative study, PR activities, video materials developed in the

F5 Podcast, and the brochure with learning programs addressed to technology team leaders supported marketing efforts in 2022 and strengthened market confidence in the Equatorial brand.

The E-learning Company focused on the use of the iKnowLMS platform, the degree of interaction, and increasing the number of trained students in 2022. At the end of 2022, the platform registered over 64,000 users, an increase of 37% compared to the previous year, and the total number of online course access reached 313,000. The completion rate of the courses is on an upward trend, continuously improved over the last 5 years, and 2022 highlights a completion rate of 92%, well above the market average.

DURING THE SALE teams: Demand Generation si Business Development

For the teams in this stage of the Buyer's Journey, 2022 was a year of confirmations. We understood that the processes implemented throughout 2021 were chosen correctly, and in 2022 we were able to test and refine them to achieve the best results

Demand Generation

In 2022, as a result of the Inbound process and based on the 600 Marketing Qualified Leads, 199 Sales Qualified Leads were generated, a 14% increase compared to 2021.

The Outbound channel intensified its targeting strategies and managed to qualify 118 SQL, a 39% increase compared to 2021. Specializing in market niches and improving internal processes made this significant increase possible.

Overall, the Demand Generation team qualified a total of 317 SQL, which generated won opportunities worth 1 million RON and other open opportunities worth 2.95 million RON.

Business Development – technical skills business line

Throughout 2022, the BD - tech skills team managed a total of 1359 opportunities, out of which we closed 737 with a "won" status. We ended the year with a revenue of 20.9 million RON, which is a 95% increase compared to 2021, from a total of 92 active clients

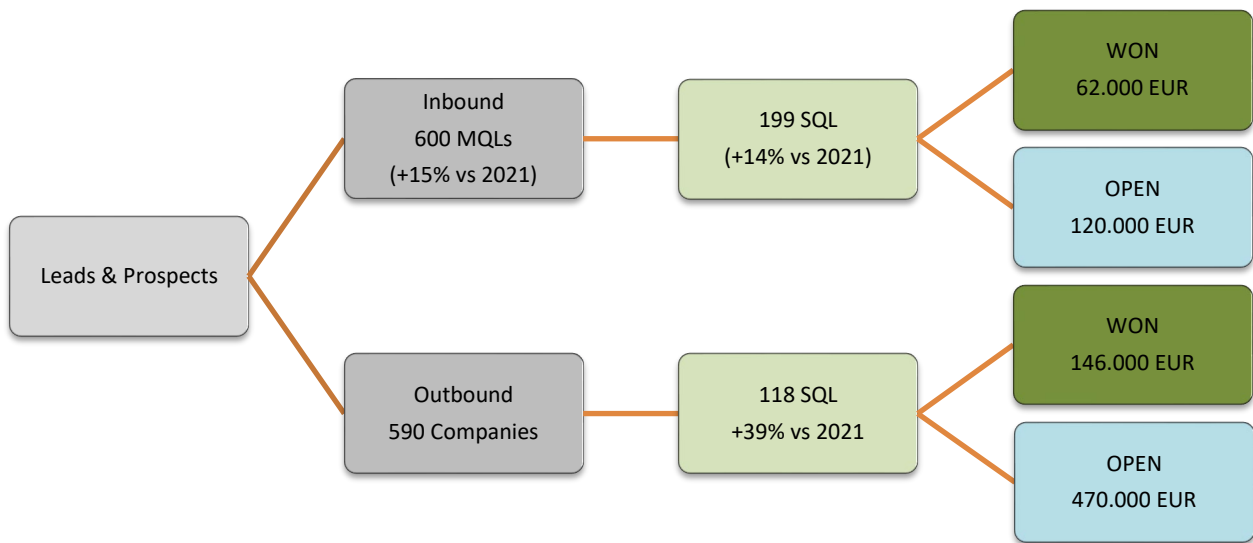
The fact that 30% of our clients come from the IT&C/Software Development field confirms the validity of our decision to focus on a niche market that is constantly growing and with an increasing appetite to allocate significant budgets. Additionally, 28% of them are clients that we have been working with for at least 5 years.

Business Development - human skills business line

2022 reflected a more specific concentration of the entire activity, namely addressing an extremely particular market niche: specialization in training and supporting Technology Team Leaders who have been in this role for a maximum of 3 years.

To serve this strategic direction, it was necessary to build a special training product dedicated and adapted to this Learner Persona population, and also to reposition and change the approach to the market by addressing a different Buyer Persona than the classic profile. Thus, in a year of transformation of the way of working and paradigms, we reached a figure of 1.6 million RON, of which more than 40% was achieved by technology companies, i.e. those in the newly assumed strategic direction.

For 2023, we maintain the focus on market niches with increased business opportunities that contribute to achieving the organization's objectives.



AFTER THE SALE teams: Training Delivery și Customer Success

Throughout the previous year the Training Delivery and Customer Success teams focused on improving performance in delivery and the impact of education. Consequently, systems for monitoring classes were implemented, and they worked together to create a plan for the continuous development of trainers to find new opportunities in their careers.

Technical Skills business line

In 2022, Bittnet's teams achieved a significant increase in the volume of training courses. At the end of the year, we had over 550 sessions, both private and public, with more than 5,800 participants trained, representing almost a doubling of the number of students who passed through our doors in 2021. This volume led to a simultaneous increase in the number of trainers, reaching 47 active trainers, 10 of whom are new collaborations.

Alongside these projects, we have constantly worked on the layout of the classrooms and reception dedicated to trainees, which have been brought to the highest level of performance, and are now ready for hybrid format courses, creating a unique learning experience for adults. Innovative ideas such as microphones that capture sound from every corner of the classroom, or the smartboard that can be followed in real-time by students at home, are just some of the latest generation equipment put into operation by our teams and adopted by trainers during delivery. The new headquarters accommodated over 110 physical courses throughout 2022.

Human Skills business line

In 2022, Equatorial Training continued what we started in 2021 with a focus on the Learner Persona profile, by conducting a quantitative and qualitative study with over 300 team leaders in technology in Romania. As a general conclusion, we were confirmed that the transition from an operational expert to a team leader role is not always accompanied by participation in interpersonal skills development programs. Therefore, we are facing a pressing need to address this challenge.

This was followed by the development and implementation of the First Time Lead in Tech program, as a learning journey, which includes a mix of learning methods such as game mechanics, short lessons with many visuals, schemes, videos in an LMS platform - Future Skills. All of these are interspersed with classroom/virtual lessons, one-on-one sessions, and team coaching/boot camps with actors. The feedback received has been very positive, which justifies our belief that we are headed in the right direction.

We delivered all of these to our clients in 173 group sessions and 75 individual sessions with nearly 700 participants.

This year the **Customer Success team** participated in over 30 private training sessions, either in-person or online, which allowed us to be close to both the learners and the trainers, and to their needs and preferences. We gathered important information from the clients during the course and after through feedback forms sent immediately after the course as well as one month after completion of the course to understand how they apply the information received and the skills acquired in their daily activities.

The clients' appreciation for this effort is reflected in the increase in the average feedback rating from participants to 4.83. Over 100 feedback analysis reports were sent for study to Bittnet's clients in 2022.

We gave special attention to top clients by organizing periodic discussions where we monitored their priorities and followed an action plan to support them in achieving their objectives. The L&D teams involved appreciated the support we provided and we started working on recommendations and testimonials that we will publish in the first part of next year.

Education Division Financial Results

TRAINING	31.Dec.22	31.Dec.21	Evolution
Revenues	<u>20.485.537</u>	<u>14.183.062</u>	44,4%
Cost of sales	<u>11.443.356</u>	<u>6.912.476</u>	65,5%
Cost of the sale of goods	550.054	237.354	131,7%
Hours / Person	10.893.302	6.675.121	63,2%
Gross margin	9.042.181	7.270.586	24,4%
Other revenues	2.398.847	1.256.150	91,0%
Sale / distribution expenses	<u>4.854.912</u>	<u>3.922.351</u>	23,8%
Expenses with the personnel	3.948.114	2.861.612	38,0%
Publicity	906.798	1.060.739	-14,5%
Administrative expenses	<u>7.085.625</u>	<u>4.842.664</u>	46,3%
Expenses with the personnel	2.097.791	1.650.449	27,1%
Amortization / writing off	1.896.154	1.315.200	44,2%
Other third-party services	1.746.897	1.102.128	58,5%
Miscellaneous	961.361	362.974	164,9%
Operating profit (without one-offs)	(549.428)	(1.138.336)	78,6%
EBIT	(499.508)	(238.280)	109,6%

TECHNOLOGY Division

Infrastruct & cloud

Under the leadership of Cristian Hergehelegiu (VP of Technology), this business pillar consists of 4 companies that offer complex IT solutions to clients from the corporate, large corporate, enterprise, and public sector segments throughout the country.

The projects developed by the companies in this technology cluster cover a wide range of solutions, starting from physical communication infrastructure, perimeter security, video systems, digital signage systems, and computing and printing systems, and continuing with the design and implementation of complex data center/hybrid or cloud IT architectures, enterprise networking, cyber security platforms, and the implementation of software platforms, including modern workplace collaboration platforms.

The services offered are both in the classic project-based regime and in the "managed services" format, with managed services being primarily delivered to clients in mature European and United States markets. The companies that are part of this business pillar are:

- **Dendrio Solutions SRL** (sole registration code 11973883), 88% owned by Bittnet and led by Iulian Zamfir, is the only multi-cloud integrator in Romania, certified partner at the highest standards by Cisco, Microsoft, Google, Amazon Web Services, and many other vendors, being the company that brings together the IT&C integration activities coming from Bittnet, Gecad Net, and Crescendo.
- **TopTech** (sole registration code 2114184), 86% owned by Bittnet and led by Dragos Groza, is a 30-year-old company that integrates IT infrastructures (communications, data processing, physical security systems) from vendors such as Dell, HP, Xerox, or Microsoft, with regional presence, having 6 subsidiaries in Transylvania and Banat and a team of over 86 specialists.
- **2Net** (sole registration code 8586712), fully owned by Bittnet and led by Mr. George Tomescu - the company's founder who remained with us during the transition process - is a company specialized in selling IT equipment and implementing IT infrastructure solutions with regional presence, with a presence in the counties of Braşov and Covasna (thus contributing to the national presence of the group).
- **Optimizor – formerly operating under the commercial name IT Prepared SRL** (sole registration code 35456175), owned 50.2% by Bittnet and led by Alexandru Ana, is an entrepreneurial company of managed services established in 2016, providing IT support services mainly on the US market. The ITPrepared client portfolio is primarily based on American companies, but also includes a number of local clients. Managed services represent the outsourcing of responsibility for maintaining and anticipating the need for a range of processes and functions aimed at improving operations and reducing costs within a company.

For the technology division, 2022 was an extremely dynamic year, marked by both a growth in business (over 24% revenue growth across the entire division) and numerous changes at the company structure level. Two new companies joined the division (TopTech and 2Net), the consolidation of cybersecurity companies under one brand, two rebranding processes carried out in 2022 and the preparation of a new rebranding process for 2023, as well as operational and team changes for Dendrio – are some of the significant events that took place in 2022. In short:

- **M&A:**
 - TopTech and 2Net join the Cloud&Infrastructure pillar from the Technology Division;
 - The execution of another transaction for this business segment: Dataware, transaction in the approval stage at the Competition Council.

- **Rebranding:**
 - IT Prepared became **Optimizor** (managed services made simple)
 - GRX+ISEC became **FORT** (cybersecurity services).

Dendrio

For Dendrio, 2022 was a year of growth (revenue increased by almost 20% YoY). However, the accelerated revenue growth was accompanied by an even faster increase in expenses, generated by three major directions:

1. Consolidation of teams (three teams were created in 2022: Project Management Office, Sales Development Representatives, and Customer Success); we expect the structure created this year to allow the company to participate in complex projects required by the National Recovery and Resilience Plan;
2. Accelerated increase in team costs - we compete with global companies for access to specialists - a competition accentuated by the opening of international markets;
3. Dysfunctions in the global supply chain led (among many other negative consequences) to increased unpredictability of deliveries and, consequently, sub-optimal allocation of human resources.

Starting from the second half of 2022, the company began to implement a plan of measures to address this situation and allow for the maintenance of development trends in the future. Among these measures, we can mention:

- Bringing in a new colleague, co-administrator for Dendrio and director of operations in the management team - this aims to increase the company's operational efficiency.
- Introducing a structure based on separate P&Ls for each function of the company - this way, the pre-sales, project management, or delivery teams become profit generators and will calibrate their activity accordingly.
- We launched an initiative to recalibrate the small and medium-sized client segment, resulting in a reduction in the number of clients per segment. This action will continue in 2023, and we will focus on clients that Dendrio can optimally serve under profitable conditions.
- Establishing an expenses target in 2023 that is close to the expenses in 2022, focusing on increasing the profitability of the business.
- The entire technology division - and implicitly Dendrio - will focus on profitability, with growth objectives still being important but subordinated to profitability.

From an operational standing point we can mention:

- Increasing the IT consultancy services (architecture and technology adoption) component in relation to the implementation services that are correlated with hardware infrastructure;
- Increasing the volume of projects with a significant cybersecurity component by over 60%;
- Consolidating and integrating processes at the level of the team dedicated to medium-sized companies and expanding the Sales Development Representatives team throughout the technology division;
- Consolidating strategic partnerships with telecommunications operators and other specialized partners, a direction that we believe will continue in 2023

- Increasing the number of contracts for recurring services offered on a monthly or annual subscription basis;
- Reevaluating the portfolio of services and products to diversify the solutions we provide, with a major focus on software solutions, in order to counterbalance the existing dysfunctions in the supply chains for hardware components, delays that we estimate will continue in the next 18-24 months.

TopTech

The company TopTech integrates IT infrastructures (communications, data processing, physical security systems) with regional presence, having 6 subsidiaries in Transylvania and Banat and a team of over 86 specialists.

From an operational standpoint, the company has had a very good year, with revenue growth of over 30% and a significant increase of over 23% in services. These results were achieved with minimal team growth (7% growth compared to 2022).

Some of the main events of 2022 include:

- The company's 30th anniversary - a confirmation of both the quality of the team and of the trust that TopTech's customers have in the company;
- The appointment of a new CEO, Mr. Dragos Groza, from within the TopTech team. Dragos successfully led the Timisoara subsidiary for over 16 years, turning it into one of TopTech's most successful subsidiaries;
- The delivery of the first group projects in collaboration with Dendrio.

For 2023, the company aims to maintain accelerated growth through investments in developing delivery teams, consolidating its position with technology partners we work with (Dell, HP, Jabra, and many others), and increasing the mix of products and services delivered in collaboration with the companies within the group.

2NET

zNet is a company specialized in selling IT equipment and implementing IT infrastructure solutions with a regional presence in the counties of Brasov and Covasna, contributing to the national presence of the group.

The company recorded a growth of over 10% in revenues in 2022, focusing on consolidating the regional team (across all functional areas), maximizing partnerships with technology suppliers, and diversifying the portfolio of solutions with a focus on increasing the services component.

As part of this consolidation program, a new commercial and operations director, Mr. Bogdan Cuciureanu, was brought into the management team in Q4 2022 - an executive with over 25 years of experience in the IT&C industry, both in Romania and in the United States

Optimizer (former IT Prepared)

The company Optimizer completes the solutions portfolio of the division and, in particular, the business model: while all the other companies in the cloud and infrastructure pillar deliver professional services (on a project basis), Optimizer delivers IT services on a subscription basis.

This business model, combined with the delivery of services mainly to foreign markets (the United States) but also to Romanian companies with regional presence in Europe, has led to a significant increase in the

company's operations of over 35% of revenues and an increase in the operating margin of nearly 200%; this growth was possible as a result of:

- Expanding the portfolio of international clients while maintaining a small team size;
- Automating delivery processes - which is standard practice / *modus operandi* for the Optimizor team;
- The team's ability to address discussions concerning the level of digitalization/impact strategy that IT processes create for companies.

Other important events that took place in 2022:

- Expansion of the service portfolio by adding the area of process automation for cybersecurity; although it is still an incipient market, global demand for such services is growing rapidly;
- Launching a platform for small and medium-sized companies; the product will incorporate the expertise acquired by Optimizor in foreign markets and the related sales will begin in 2023.

Cybersecurity – Fort

Companiile ce fac parte din grup sunt: Under the leadership of Vladimir Ghita, this business pillar contains 3 companies that offer cybersecurity services to corporate, large corporate, enterprise, and public sector clients throughout the country. The companies that are part of the group are:

- **Global Resolution Experts S.A. (GRX)** (sole registration code 34836770), 60% owned by Bittnet, is a professional services company in the cybersecurity area that offers penetration testing, as well as design, implementation, and maintenance of cybersecurity solutions;
- **GRX Advisory SRL** (sole registration code 43813325), fully owned by GRX, provides professional services in the area of cybersecurity, penetration testing, as well as design, implementation, and maintenance of cybersecurity solutions;
- **ISEC Associates SRL** (sole registration code 23037351), 70% owned by Bittnet, is a company that offers professional services in the cybersecurity area, providing audit, consultancy, and testing services (penetration testing) in both classic and "managed services" mode. The company holds numerous certifications (Financial Supervisory Authority, National Bank of Romania, CISA, CISM, CEH, CISSP, OSCP, CDPSE, ISO 27701, etc).

Cybersecurity continues to be a field of great interest worldwide, presenting a huge potential for development in the upcoming period. This is largely due to the increasing volume of threats that companies in all industries are facing. According to estimates, by 2025, losses generated by cybercrime will reach a value of 10.5 trillion USD, while the average costs associated with a single data breach event are around 4.35 million USD. The presented context will lead, in 2023, to a global market for specific cybersecurity services of approximately 188 billion USD.

Fort aims to use this favorable context in terms of the services it provides by addressing the unmet needs of customers in order to identify, understand, and remediate any security breaches. The small number of companies and experts in cybersecurity has a positive impact on the demand for the company's services, which was observed throughout 2022. We expect the trend of increasing demand to continue in 2023, especially given the continuous diversification of attacks and the increasing level of sophistication they have in the cyber space.

The continuous investments in human resources in 2022 have allowed for the delivery of a considerably larger number of projects, reflected in the positive dynamics of the company's turnover. Although the results are noticeably better compared to 2021, there is still a need for recruitment, specialization, and retention of cybersecurity experts. It is estimated globally that there are about 3.5 million unfilled positions that should be addressed in 2023. This situation also applies to Fort, as the company's growth is more of a challenge in terms of delivery teams and less in terms of identifying and exploiting new sales opportunities. To ensure an adequate team level, the company intensified recruitment mechanisms in 2022, primarily in the second semester, collaborating with five head-hunting and talent scouting service providers.

The economic and international context of 2022 was at least a tumultuous one. January was characterized by relatively constant activity compared to previous years, a situation observed in the first part of February. However, the conflict in Ukraine represented a turning point for the end of the first quarter and the second quarter. The months of February to May were sprinkled with multiple cyber-attacks, some of which were presented in the press, leading to an increase in the needs of companies in terms of cybersecurity. Fort, thanks to its team

of highly trained experts and efficient response times, was able to respond to these needs and generate new collaborations with various companies in the local market

Adding new professionals to the team has allowed the consolidation of existing partnerships with Fort's traditional clients, while maintaining a high level of quality, with a strong emphasis on quickly addressing their needs. There has been a notable increase in requests for consultancy services on various aspects related to cybersecurity, penetration testing, and the implementation of specific solutions that protect companies against cyber attacks. On the other hand, although a series of needs have been identified in the area of cyber incident response, investments by small and medium-sized companies in business continuity and resilience in the event of an attack remain low, indicating that the market is not yet fully prepared to effectively counter cyber risks.

Some of the important events of 2022 include:

- Starting a project based on European funds through which an innovative system based on new technologies, specifically Artificial Intelligence, will be developed. The project is expected to be completed in 2023, with revenues likely to be generated in the first quarter of 2024.
- Expanding the team of experts - as in previous years, Fort faced a shortage of qualified resources in 2022, operating in an extremely specialized environment where education and training of teams take on average 12 months. To counter these situations, a multitude of actions were taken, such as sponsoring events in higher education, launching a professional retraining program in collaboration with another company in the Bittnet group, through the CTRL+N program, or participating in industry-specific cybersecurity events. Throughout the year, four simultaneous recruitment processes were started, resulting in a 20% increase in personnel. The company now relies on a team of over 35 experts participating in delivery processes.
- 2022 was the first year in which the Global Resolution Expert (GRX) and ISEC Associates teams operated together under the Fort brand, which represented an operational challenge and the unification of administrative and organizational processes.

Platforms and Software Development

This segment includes the following companies:

- **Elian Solutions SRL** (sole registration code 23037351), lead by Iulian Motoi, company founded in 2008 and 51% owned by Bittnet Systems SA. Gold Certified Partner by / of Microsoft for ERP type solutions.
- **Nenos Software SRL** (sole registration code 29612482), led by Toader Toporău, is a company owned by Bittnet in proportion of 61%, specialized in custom software development, with a focus on Artificial Intelligence and Machine Learning (AI/ML)
- **Nonlinear SRL** (sole registration 37758005) is an SPV created to access European funding, owned in proportion of 60% by Bittnet. The activity is focused on product-based software development, with a focus on developing a platform for digitalization and automation of processes in small and medium-sized companies using low-code/no-code technologies and machine learning.

Elian Solutions

We can say that for Elian Solutions, 2022 was (yet again!) an exceptional year, with the budget being exceeded; in this sense, the company recorded a 74% increase in revenue, with a significant increase in implementation services (implementation accounted for 40% of revenues, compared to 26% in 2021). The increase in the proportion of services is due to the expansion and consolidation of the delivery team, resulting in a direct increase in project delivery capacity towards clients.

The team

- We continued the recruitment process started in the previous years, following the same principle of recruiting senior resources who have the capacity to enter production in a shorter period of time. If at the end of 2021 we had a team of 32 people, in 2022 the team grew to 46 - a growth of over 40% in delivery resources.
- As previously mentioned, Elian's management focused on consolidating each team and increasing project delivery capacity. In percentages, the implementation team (consulting and implementation) generated revenues in 2022 that were 172% higher than the revenues generated in 2021.
- Another factor that contributed to the increased delivery capacity and the above results is the operational performance objective (KPI) for the consulting and programming teams that Elian's team implemented starting in Q2 2022: self-planning - each team member makes their task management together with the team manager and project manager. This way, there is a clear traceability on delivery times, resource load and any deviations from delivery deadlines. The KPI is calculated on a weekly task count.
- The certification process for Dynamics 365 Business Central solution was continued.
- The trend of accelerated growth will continue in 2023 - the company still plans to expand its team, with the potential to double the team by the end of the year.

Projects/clients

- The company continues to target large-scale projects with a high number of users, including those outside of Romania.
- The trend from previous years continues, with more and more customers opting for subscription / cloud licensing instead of purchasing licenses. This translates into a consolidation of recurring monthly subscription revenues.
- Software as a service (SaaS) licensing has been launched.
- In 2023, we expect that the proportion of subscription customers to continue to increase.

- 2022 was marked by an increase in demand for upgrades to the latest system version launched by Microsoft. More and more customers have decided to switch from older versions of NAV to Dynamics 365 Business Central, the latest Microsoft technology. Both the general benefits provided by the latest manufacturer-released versions, legislative requirements (SAFT, e-invoicing), and limitations of older technologies have led to a significant increase in interest in upgrading

Nenos

The company continued to grow its business, albeit at a relatively slow pace - a 10% increase in revenues and a 17% increase in gross margin - as a result of the closure of some previous projects. The company managed this situation with agility, reducing proportional operating costs (and team size). However, the objectives remain for accelerated growth, based on a set of actions:

- **We continue to expand our sales activity within Nenos Software** by adding a dedicated position for international expansion to the Sales Development Specialist team.
- **Rebranding and marketing campaigns.** At the end of 2022, the Nenos Software rebranding campaign was launched. The artificial intelligence industry in which Nenos Software operates is in constant development and motion, so that together with the group's marketing team, we are rethinking the company's communication strategy.
- **The new generation of programmers.** We have reached the final exam for the students of the first edition of Nenos Academy. We are proud of the participants who have made it to this point, who have met the requirements and tasks prepared by mentors for the two categories of juniors: Full-Stack Web Developers and Python Developers. We support the development of students at any stage and encourage them to accumulate information at their own pace. We are also proud of those Nenos Academy students who have joined our team during this training journey and then chose to become our colleagues. We hope that the current edition, which started in December, will give us the opportunity to discover talented, passionate, and willing young people to enter the job market with us!

Financial results Technology Division

INTEGRARE	31.Dec.22	31.Dec.21	
Revenues	172.246.916	98.393.265	75,1%
Revenues from performing services	44.765.567	24.436.315	83,2%
Sale of goods	127.481.349	73.956.950	72,4%
Cost of sales	138.835.008	81.269.786	70,8%
Goods / materials	107.956.084	63.708.523	69,5%
Cloud Services	5.364.091	5.491.123	-2,3%
Hours / Person	25.514.833	12.070.140	111,4%
Gross Margin	33.411.908	17.123.479	95,1%
Other revenues	1.082.612	2.830.936	-61,8%
Sale/distribution expenses	8.938.419	5.624.928	58,9%
Hours / Person	7.736.151	4.878.758	58,6%
Publicity	1.202.268	746.171	61,1%
Administrative expenses	16.599.579	6.738.504	146,3%
Hours / Person	7.150.306	3.163.323	126,0%
Amortization / writing off	2.517.751	1.073.068	134,6%
Other third-party services	3.024.728	1.201.580	151,7%
Misscelaneous	1.062.861	403.923	163,1%
Operating profit (without one-offs)	9.056.511	5.017.862	80,5%
EBIT	8.956.522	7.590.984	18,0%

Of budgeting in general and in respect to the 2023 budget

In all documents published by companies listed on capital markets worldwide, with regards to "Income and Expenses Budget," it is mentioned that the presented figures do not represent a promise or a guarantee, and the company cannot be held responsible for not reaching the objectives. When a company sets its revenue and expense budget for a certain year, it takes into account the internal and external factors that it knows at the time of setting the budget. The last three years have brought companies in extremely difficult situations, where they had to adapt and which could not be predicted. Until the outbreak of the COVID-19 pandemic, in Romania, the only "problems" that companies had to overcome or adapt to were related to uncertainties at the political and, implicitly, legislative level.

Therefore, the new reality, where problems are not only related to the internal issues of a country, generates for all managers the following dilemma: do we set objectives that seem difficult to achieve at first glance, but for which, at the time of setting them, we have indicators and estimates in line with the reality of that moment, or do we publish an extremely moderate budget, which we know we can exceed, but at the same time brings the company in a comfort zone and greatly reduces its chances for a more prosperous future for all involved.

In Bittnet Group, we have always preferred to set ambitious targets, based on the conservative assumption that it will be harder to produce the same dollars next year as we did in the current year - so we will have to work harder. Every year, some activities or companies exceed plans and others are affected by various factors beyond management's control, and as a result, they do not meet the targets published at the beginning of the year

We will continue this approach because it has allowed us to grow continuously, at rates much higher than the industry average, albeit not in a constant and easily predictable manner. Perhaps the most relevant example is 2020, followed by 2021. In 2019, we recorded our only year with a net loss in history, due to the difficulties generated in H1 by the efforts to integrate the largest acquisition up to that point - Crescendo. In 2020, a year marked by lockdowns and business closures, the other companies in the BET-XT index recorded decreases in revenues and halving of profits. Bittnet recorded an increase in revenues and profit, from minus 4 to plus 1 million lei. Because the revenue target still contained 1 million lei of margin (and therefore profit), investors' perception was that Bittnet did not deliver what was published in the budget, and not the fact that the group recorded a profit growth of 5 million lei, in an extremely difficult year. This situation repeated in 2021, when operational profit continued to grow, and financial profit doubled. In this situation, the perception was that there was too much financial profit versus operational profit.

For 2023, the indicative budget consists of a turnover of 300 million lei and an operational profit of 16.4 million lei (24.7 million lei EBITDA)

Bittnet CONSO [RON]	2022	2023E
TURNOVER	192.732.453	300.020.046
COSTS OF SALES	129.331.326	200.410.452
=Gross Margin (M1)	63,401,127	99.609.594
% Gross Margin (M1)	33%	33%
Direct costs IFRS (delivery team)	20,947,038	24.480.608
=Gross Margin (M2)	42.454.089	75.128.986
% Gross Margin (M2)	22%	25%
GENERAL AND ADMINISTRATIVE EXPENSES	23,685,203	52.319.417
Sales/distribution expenses	13,118,362	19.007.928
Indirect salaries	5,529,706	20.083.335
Administrative expenses	5,037,135	12.912.477
EBITDA	12.870.918	24.729.569
% EBITDA	6,6%	8%
Depreciation	4.413.905	6.676.928
=EBIT	8.457.014	18.052.641
Impact elemente nerepetabile	-2.145.821	1.604.323
SOP	-890.381	-890.381
Finance result/net	-7.349.212	-330.440
=PBT	-1,928,401	16.831.820
Current profit tax	96.138	1.696.189
= Net result	-1.832.263	15.135.631
% Net result	-1%	5,04%

Schedule 1 – “Alternative Performance Measurements” on alternative key performance indicators

The ESMA guidelines require to explain any indicator we have used in assessing the financial or non-financial results of the company, if that indicator is not found in the IFRS or XBRL standards, published by ESEF. In our financial statements, we used the following indicators:

Indicator	Definition/Calculation method	Why is it relevant?
Operating Profit	<p>This refers to the core business profit, i.e. the business of serving our clients.</p> <p>It takes into account all the incomes and expenses related to the current business and does not take into consideration the financial revenues and expenses, or those related to the holding-type business (of the group, our entity as a listed company).</p> <p>It is calculated by taking out the income and expenses items (cash or non-cash) that are not related to the current business from the result of each business line.</p> <p>The most relevant adjustments (differences between gross profit and Operating Profit) are:</p> <ol style="list-style-type: none"> 1. removal of the financial result (adding financial expenses and subtracting financial revenues from gross profit); 2. elimination of IFRS adjustments, non-cash, SOP related; 3. Where the 2021 statements are concerned, revisited in 2023, with the application of the new conceptual framework on IFRS 3 business combinators – the costs related to M&A success, which were previously capitalized, were eliminated from the assets section through P&L – this retroactive restatement has been excluded from the calculation of operating profit. 	<p>Operational business (also known as ‘current’ or ‘core’) represents the company businesses.</p> <p>This measures the performance and the business activity versus the competition, regardless of the taxation environment, the reporting accounting framework or the company financing method (the mix of equity and loans, the costs of maintaining the stock exchange rate, etc.).</p> <p>That is to say, this is the result the company (or each business line) would have if it operated as a company fully financed by its own resources (by ‘equity’ – shareholders' equity).</p> <p>It allows for a comparison of performance and business activity against competitors, regardless of the taxation environment, accounting reporting framework, or financing structure of the company (the mix of equity and borrowed capital, the costs of maintaining a stock exchange listing, etc.). In other words, this is the result that the company (or each business segment) would have if it operated as a company financed entirely from its own sources (from "equity" - shareholder capital).</p>
“Gross Margin”, or “GM”	<p>The calculation formula for this indicator is the “Revenues minus direct expenses (‘revenue minus COGS (cost of goods sold)’”.</p> <p>In this process, the value of expenses directly associated with those projects (which generate those revenues) is subtracted from the invoices issued to clients. In the case of software license resale projects, we purchase a license for 90 lei and sell it to the client for 100 lei. The difference is the "Gross Margin."</p> <p>In the case of billing a client for cloud project implementation services, the gross margin represents the difference between the revenues invoiced to the client and the cost for the hours or manpower required for the implementation, whether the engineer performing the implementation is our employee or a subcontractor.</p>	<p>This indicator is the company's “GDP”, it is the “added value” that we generate for our partners.</p> <p>This indicator reflects not only the value we bring to our clients, but also, by looking inward towards the company, it reflects the amounts of money we have at our disposal to cover the fixed expenses.</p>

Annex 2 – Statement on perspectives

This document contains forward-looking statements within the meaning of securities laws of certain jurisdictions. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including statements using terms such as "may," "will," "should," "expects," "intends," "estimates," "anticipates," "believes," "targets," "projects," "plans," "predicts," "continues," "commitments," "engages," "obligates," "expected," or variations of such words or similar expressions or the discussion of the Company's strategies, plans, objectives, targets, goals, future events or intentions. These forward-looking statements are located in various places throughout this document.

The forward-looking statements include statements about current intentions, beliefs or expectations, among others, regarding operational results, views, growth, strategy and dividend policy or the industry in which the Company operates. The forward-looking statements in this document are as of the date of this document. The Company does not assume any obligation to update or revise any such forward-looking statements contained in this document to reflect any change in the Company's expectations regarding these statements or any change in events, conditions or circumstances on which any such statement is based, except as required by applicable law.

The forward-looking statements include known and unknown risks, uncertainties, and other important factors beyond the Company's control that may cause its actual results, performance, or achievements to differ materially from the future results, performance, or achievements expressed or implied by these statements. These forward-looking statements are based on numerous assumptions regarding the Company's current and future business strategies and the environment in which it will operate in the future.

Among the important factors that could cause the actual results or performance of the Company to differ materially from the expressed perspectives are the factors described in the "Risk Factors" section of the Universal Registration Prospect, as well as in other sections of this document. These factors include, but are not limited to, fluctuations in interest rates, delays in deliveries by manufacturers or distributors due to the global semiconductor shortage, the economic and social situation in Romania, affected by corruption and money laundering. These risks and other information described in the "Risk Factors" section are not exhaustive. Other sections of this document describe other factors that could negatively affect the Company's results with respect to its operations, financial position, and the development of the industry in which the Company operates. From time to time, new risks may arise that affect the operations and activities of the Group, and it is not possible for the Company to predict all of these risks, nor can it evaluate the impact of all of these risks or the extent to which any such risks or combination of these risks and other factors may cause the actual results to differ materially from those contained in any perspective

At the time of reading the forward-looking statements, investors should carefully consider the above factors and other uncertainties or events, especially considering the political, economic, social, and legal environment in which the Company operates. **Given these risks and uncertainties, investors should not rely on forward-looking statements as a prediction of actual results.**

Unaudited financial statements

BITTNET SYSTEMS SA

CONSOLIDATED FINANCIAL STATEMENTS (PRELIMINARY, UNAUDITED) for the 2022 financial year

(all the amounts are expressed in RON, unless otherwise indicated)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>31.Dec.2022</u>	<u>31.Dec 2021</u> (corectat)
Income from contracts with customers	192.732.453	112.576.327
The cost of sales	(150.278.364)	(88.182.261)
Gross margin	42.454.089	24.394.065
Other incomes	3.481.459	4.087.086
Sale expenses	(13.793.331)	(9.547.280)
General and administrative expenses	(24.575.584)	(12.648.079)
Other expenses	(2.145.821)	(1.552.402)
Gain / (losses) titles	273.630	773.014
Financial income	(3.320.483)	12,091,769
Financial expenses	(4.302.359)	(2.995.683)
Gross profit	(1.928.401)	14.602.491
Tax	96.138	(1.581.516)
Net profit, of which:	(1.832.263)	13.020.975
related to the parent company	(5.123.417)	12.319.250
related to minority interests	3.291.154	701.725
Other elements of the global result		-
Total global result	(1.832.263)	13.020.975
related to the parent company	(5.123.417)	12.319.250
related to minority interests	3.291.154	701.725

CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION

	31.Dec.2022	31.Dec.2021 (corectat)
ASSETS		
Fixed assets		
Goodwill	57.332.593	40.771.174
Other intangible assets	9.077.001	9.219.368
Tangible assets	27.642.301	2.352.513
Titles in equivalence	2.918.940	1.996.840
Other financial assets	2.238.547	2.041.467
Delayed tax	1.488.667	196.773
Total fixed assets	100.698.049	56.578.135
Current assets		
Inventories	2.749.837	1.184.962
Commercial receivables and other receivables	61.049.538	32.027.010
Financial assets	13.790.384	17.919.885
Cash and equivalents	42.300.364	23.403.197
Total current assets	119.890.124	74.535.054
Total assets	220.588.172	131.113.189
CAPITAL AND DEBT		
Share capital	52.848.060	48.043.690
Premium	9.738.583	14.542.953
Other items of equity	(11.412.840)	(19.082.504)
Legal reserves	1.359.189	1.114.139
Reported result	1.350.895	6.719.360
Capital parent company	53.883.886	51.337.639
Not controlling interests	3.971.201	1.164.851
Total capital and reserves	57.855.087	52.502.490
Long term debt		
Loans from bond issues	9.609.806	24.044.334
Bank loans	17.851.998	6.327.926
Leasing	19.020.883	676.929
Long term debt		-
Total long term debt		46.482.687
Current debt		
Loan from bond	25.194.352	872.768
Bank loans	7.312.903	3.882.132
Leasing	4.911.431	540.786
Dividends	500.942	9.995
Debt tax	288.018	294.606
Commercial debt and other debts	78.042.752	41.337.088
Current debts	116.250.398	46.937.374
Total debt	162.733.085	78.610.699
Total capital and debt	220.588.172	131.113.189

STATEMENT OF CONSOLIDATED CASHFLOW

	<u>31.Dec.2022</u>	<u>31.Dec.2021</u>
		(corectat)
Gross profit	(1,928,401)	14.602.491
Adjustments for:		
Depreciation expenses	4.413.905	2.388.267
Adjustments on the depreciation of the Commercial Fund	495.000	-
Expenses on the assets ceded	12.517	102.899
Benefits granted to SOP employees	890.381	1.066.911
Adjustments for debt depreciation	199.100	46.258
Expenses related to Participation Interest Purchases	1.650.821	1.552.402
Interest expenses and other financial costs	3.604.056	3.039.320
Interest income and other financial income	631.165	237.744
I earn titles placements	3.411.090	(11.988.124)
I earn titles placed in equivalence	(273.630)	(773.014)
Profit from exploitation before the variation of circulating capital	13.106.005	10.275.153
Variation of debt accounts hips	(15.339.205)	(1.342.417)
Variation of stock accounts for stock accounts	2.268.473	(27.748)
Variation of debt accounts hips	19.215.944	(4.147.634)
Cash	19.251.216	4.757.355
Profit tax	(1.384.629)	(978.608)
Net cash from operating activities	17.866.587	3.778.747
Cash flows from investment activities:		
Payments for the purchase of branches/business, less cash purchased	(15.023.596)	(9.004.190)
Payments for the purchase of interest interest	(830.127)	(861.219)
In receipts from the sale of participation interests	10.447.460	-
Loans granted to linked entities	240.000	(184.889)
Purchases of tangible and intangible immobilization	(3.914.692)	(1.627.488)
Other investments in financial assets	(4.179.499)	(2.015.800)
Revenue from other financial investments	4.809.727	7.829.183
Dividends collected	134.220	670.082
Interest collected	111.911	82.339
Net cash from investment activities	(8.204.597)	(5.111.981)
Cash flows from financing activities:		
Revenue from the Action Issue	-	10.412.024
Redemptions/sales own actions	(2.603.739)	66.096
Shooting/repayments of bank loans	9.951.863	(1.944.388)
Shooting/Refunds from Bond show	9.609.806	(4.500.000)
Paying the related debts leasing	(2.967.669)	(1.261.365)
Paid interest	(3.326.805)	(2.869.324)
Paid dividends related to minority interests	(1.428.279)	(39.267)
Net cash from financing activities	9.235.177	(136.225)
The net increasing of cash and cash equivalents	18.897.168	(1.469.459)
Cash and cash equivalents at the beginning of financial year	24.403.197	24.872.655
Cash and cash equivalents at the end of the financial year	42.300.364	23.403.197

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 contoleaza	Total capitaluri proprii
31 Dec 2020	26.443.139	25.409.965	(19.893.997)	451.993	(5.020.028)	27.391.072	255.237	27.646.310
Net income	-	-	-	-	12.319.250	12.319.250	701.725	13.020.975
Other elements of the global result	-	-	-	-	-	-	-	-
Total global result	-	-	-	-	12.319.250	12.319.250	701.725	13.020.975
Transactions with shareholders						-		-
Increase share capital	21.600.551	(10.867.013)	(321.515)	-	-	10.412.024	-	10.412.024
Benefits granted to SOP employees			1.066.911			1.066.911		1.066.911
Implementation of SOP	-	-	66.096	-		66.096		66.096
Not controlling	-	-	-	78.676	(78.676)		329.440	329.440
Dividend distribution	-	-	-	-	82.284	82.284	(121,550)	(39.266)
Distribution of legal reserve	-	-	-	583.471	(583.471)	-	-	-
31 Dec 2021	48.043.690	14.542.953	(19.082.504)	1.114.139	6.719.360	51.337.639	1.164.851	52.502.490
Net income	-	-	-	-	(5.123.417)	(5.123.417)	3.291.155	(1.832.263)
Other elements of the global result	-	-	-	-	-	-	-	-
Total global result	-	-	-	-	(5.123.417)	(5.123.417)	3.291.155	(1.832.263)
Transactions with shareholders						-		-
Increase share capital	4.804.369	(4.804.369)	(9.895)	-	-	(9.895)	-	(9.895)
Benefits granted to SOP employees	-	-	890.381			890.381		890.381
Implementation of SOP	-	-	(2.649.244)			(2.649.244)		(2.649.244)
Vnazare Minority participations	-	-	9.438.421			9.438.421	560.880	9.999.301
Not controlling	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	(1.045.684)	(1.045.684)
Distribution of legal reserve	-	-	-	245.049	(245.049)	-	-	-
31 Dec 2022	52.848.060	9.738.583	(11.412.840)	1.359.189	1.350.895	53.883.886	3.971.201	57.855.087

For questions or feedback, please email us at:

investors@bittnet.ro