BITTNET SYSTEMS SA

CONSOLIDATED FINANCIAL STATEMENTS

Prepared in accordance with
Order of the Minister of Public Finance
no. 2844/2016, as further amended,
for the financial year ended on
31 December 2022

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

CONSOLIDATED SITUATION OF COMPREHENSIVE INCOME

	Note	2022	2021 corrected
Revenues from contracts with customers	[7]	192,156,489	109,813,736
Sales Cost	[8]	(149,412,267)	(85,419,670)
Gross margin		**42,744,222**	**24,394,065**
Other revenues	[9]	3,481,459	4,087,086
Sales expenses	[10]	(13,793,331)	(9,547,280)
General and administrative expenses	[11]	(24,999,980)	(12,648,079)
Other expenditure	[9]	(2,145,821)	(1,552,402)
Equivalent securities profit/(loss)		273,630	773.014
	[13]		
Financial income		(3,320,483)	12,091,769
Financial expenses	[13]	(4,308,881)	(2,995,683)
Gross profit		**(2,069,186)**	**14,602,491**
Tax profit	[14]	(123.400)	(1,581,516)
Net Profit, of which:		**(2,192,586)**	**13,020,975**
related to the parent company		(5,358,890)	12,319,250
related to minority interests		3,166,304	701.725
Other elements of the overall result		-	-
Total comprehensive income		**(2,192,586)**	**13,020,975**
related to the parent company		(5,358,890)	12,319,250
related to minority interests		3,166,304	701.725
Earnings per share	[5]		
basic		(0.0105)	0.0260
diluted		(0.0094)	0.0228

The financial statements on page [3] to page [80] were approved and signed on 27 March 2023.

Mihai Logofatu
CEO

Adrian Stanescu
CFO

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 Dec 2022	31 Dec 2021 corrected
ASSETS			
Fixed assets			
Goodwill	[15]	57,528,189	40,771,174
Other intangible assets	[16]	9,077,001	9,219,368
Tangible fixed assets	[17]	27,808,467	2,352,513
Investments accounted for using the equity method	[18]	2,918,940	1,996,840
Other financial assets		2,426,167	2,041,467
Deferred tax	[14]	1,271,824	196.773
Total fixed assets		101,030,589	56,578,135
Current assets			
Inventory	[19]	2,777,973	1,184,962
Trade receivables and other receivables	[20]	60,697,390	32,027,010
Financial assets at fair value	[18]	13,790,384	17,919,885
Cash and cash equivalents	[21]	42,300,365	23,403,197
Total current assets		119,566,112	74,535,054
TOTAL ASSETS		220,596,701	131,113,189
EQUITY AND DEBTS			
Share capital		52,848,060	48,043,690
Issue premiums		9,738,583	14,542,953
Other equity items		(11,390,433)	(19,082,504)
Reserves		1,324,823	1,114,139
Reported result		1,149,789	6,719,360
Capital related to the parent company		53,670,822	51,337,639
Non-controlling interests		3,823,943	1,164,851
Total equity and reserves	[22]	57,494,765	52,502,490
Long-term debts			
Bonds	[23]	9,609,806	24,044,334
Bank loans	[24]	11,166,109	6,327,926
Leasing liabilities	[25]	19,290,728	676,929
Long-term debts		-	624,136
Total long-term liabilities		40,066,644	31,673,325
Current debts			
Bonds	[23]	25,194,352	872,768
Bank loans	[24]	13,998,791	3,882,132
Leasing liabilities	[25]	4,693,525	540,786
Dividends payable		500.942	9,995
Profit tax liabilities	[15]	284,250	294.606
Trade liabilities and other liabilities	[26]	78,363,431	41,337,088
Total current debts		123,035,292	46,937,374
Total liabilities		163,101,936	78,610,699
TOTAL EQUITY AND DEBTS		220,596,701	131,113,189

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CONSOLIDATED SITUATION OF CASH FLOW

	2022	2021 corrected
Gross profit	**(2,069,186)**	**14,602,491**
Adjustments for:		
Depreciation expenses	4,424,982	2,388,267
Goodwill impairment adjustments	495,000	-
Expenses related to disposed assets	12,517	102,899
Benefits granted to SOP employees	890,381	1,066,911
Adjustments for the depreciation of receivables	198,849	46,258
Expenses related to acquisitions of participating interests	1,650,821	1,552,402
Interest expenses and other financial costs	3,604,056	3,039,320
Interest and other financial income	634,292	237,744
Gain on securities placements	3,411,090	(11,988,124)
Equity securities gain	(273,630)	(773,014)
Operating profit before working capital change	**12,979,173**	**10,275,153**
Variation of receivables account balances	(15,174,426)	(1,342,417)
Variance of the inventory accounts balances	2,240,336	(27,748)
Variation of accounts payable balances	19,341,027	(4,147,634)
Cash generated from operation	**19,386,111**	**4,757,355**
Profit tax paid	(1,391,092)	(978.608)
Net cash from operating activities	**17,995,019**	**3,778,747**
Investment activities:		
Payments for acquisition of subsidiaries/businesses, +/- cash acquired	(15,023,596)	(9,004,190)
Payments for the purchase of participation interests	(830.127)	(861.219)
Proceeds from the sale of participating interests	10,447,460	
Loans granted to related entities	240,000	(184.889)
Acquisitions of tangible and intangible assets	(4,054,298)	(1,627,488)
Other investments in financial instruments	(4,179,499)	(2,015,800)
Proceeds from other financial investments	4,809,727	7,829,183
Collected dividends	134,220	670,082
Interest received	111,911	82,339
Net cash from investment activities	**(8,344,203)**	**(5,111,981)**
Financing activities:		
Proceeds from share issue	-	10,412,024
Repurchases/sales of own shares	(2,603,739)	66.096
Drawings of Bank loans	9,951,863	-
Repayments of bank loans	-	(1,944,388)
Receipts from bond issue	9,609,806	-
Repayments from bond issue		(4,500,000)
Payments of leasing liabilities	(2,956,494)	(1,261,365)
Interest paid	(3,326,805)	(2,869,324)
Dividends paid on minority interests	(1,428,279)	(39.267)
Net cash from financing activities	**9,246,353**	**(136.225)**
Net increase in cash and cash equivalents	**18,897,168**	**(1,469,459)**
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	**42,300,365**	**23,403,197**

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CONSOLIDATED SITUATION OF CHANGES IN EQUITY

	Share capital	Issue premiums	Other equity items	Legal reserves	Reported result	Total capital	Non-controlling interests	Total equity
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 profit	-	-	-	-	12,319,250	12,319,250	701,725	13,020,975
Other elements of the global result	-	-	-	-	-	-	-	-
Total comprehensive income	**-**	-	-	-	**12,319,250**	**12,319,250**	**701,725**	**13,020,975**
Transactions with shareholders						-		-
Share capital increase	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
SOP implementation	-	-	66,096	-		66,096		66,096
Non-controlling interests	-	-	-	78,676	(78,676)		329,440	329,440
Dividend distribution	-	-	-	-	82,284	82,284	(121,550)	(39,266)
Distribution of the 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 profit	-	-	-	-	(5,089,391)	(5,089,391)	3,279,878	(1,809,513)
Other elements of the global result	-	-	-	-	-	-	-	-
Total comprehensive income	**-**	-	-	-	**(5,358,890)**	**(5,358,890)**	**3,166,304**	**(2,192,586)**
Transactions with shareholders						-		-
Share capital increase	4,804,369	(4,804,369)	(9,895)	-	-	(9,895)	-	(9,895)
Benefits granted to SOP employees	-	-	890,381		-	890,381	-	890,381
SOP implementation	-	-	(2,649,244)	-		(2,649,244)		(2,649,244)
Sale of minority shareholdings	-	-	9,460,829			9,460,829	538,472	9,999,301
Non-controlling interests	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	(1,045,684)	(1,045,684)
Distribution of the legal reserve	-	-	-	210,683	(210,683)	-	-	-
31 Dec 2022	**52,848,060**	**9,738,583**	**(11,390,433)**	**1,324,823**	**1,149,789**	**53,670,822**	**3,823,943**	**57,494,765**

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NOTE 1. GENERALE INFORMATION

Group structure and operational activities

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

	31 Dec 2022	31 Dec 2021
SUBSIDIARIES - % ownership		
Dendrio Solutions	88.001%	100%
Elian Solutions	51.02%	51.02%
Equatorial Gaming	98.99%	98.99%
Equatorial Training, by 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, by Global Resolution Experts	60%	60%
Top Tech, 46% by Dendrio Solutions	86%	-
2Net Computer, by Dendrio Solutions	100%	-
MINORITY INTERESTS		
E-Learning Company	23%	23%

The group has more than 400 employees and collaborators, working 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 by purchase 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 obtaining 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 in the joint stock company (SA), following the increase of the share capital, using the profits generated in 2008. In 2012, the company received a first infusion of capital "from abroad" (equity investment) from the business angel Răzvan Căpăţînă, who is still an important shareholder of the company.

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

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

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 by Equatorial Gaming allow the access of technology experts by teaching IT skills, from the basic ones (for instance: 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 (BNET symbol) are listed on the BVB Regulated Market.

Dendrio Solutions

During 2017, the Bittnet 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 to the Market through the current report no. 25/14.06.2022 that an institutional investor has been co-opted in the shareholding of Dendrio Solutions SRL. The transaction was carried out through the sale of 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 joining the shareholding, Dendrio is on its way to listing on the capital market either through a private placement or an initial public offering on the BVB, or through a merger procedure with a company listed on a regulated market or on a multilateral trading facility in a member state 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 behaviour change. In 2018 Equatorial launched a new product: VRunners, an evolution for Marathon mobile platforms. In 2019, Equatorial released 2 new games: White Hat and Bona Fidae Agency.

Computer Learning Center & ISEC Associates

On August 2021, the Group informed the investors about the signing of the share sale-purchase agreements for the takeover of the cyber security company – ISEC Associates Srl and of the IT training company – Computer Learning Center.

The purchase price for 100% of Computer Learning Center (CLC) is RON 725,000, amount settled in two instalments: the first instalment, amounting to RON 225,000, was paid by payment order during August 2021, and the second instalment – amounting to RON 500,000, conditional on the removal from CLC's patrimony of assets that are not relevant to the company's current activity – was paid in January 2022.

Thus, Bittnet Group consolidates its Education division and expands its certification portfolio, especially in the cyber security sector. The company collaborates with over 30 certified trainers and has delivered over 2,500 courses to 15,000 participants in recent years.

Following the entry of Bittnet Systems in the shareholding, a loan agreement was signed by the parties in September 2021, whereby 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 rate of 9% per year. The loan was successively increased up to the amount of RON 2,405,000 in the period October 2021 – June 2022, and then partially repaid in August – September 2022, the remaining balance as of 31.12.2022 amounting to RON 1,130,000.

The purchase price for the purchase of 69.99% of ISEC Associates shares is RON 295,000, which was paid in a single instalment, by bank transfer, to the founding shareholder, Alexandru Andriescu.

ISEC Associates is a company founded in 2003, specialized in complete security auditing, consulting and testing services. ISEC helps companies identify, assess, secure and manage information security. By acquiring ISEC, Bittnet increases its position on the cyber-security market.

Following the entry of Bittnet Systems in the shareholding, a loan agreement was signed by the parties whereby 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 rate of 9% per year. The loan was increased successively up to the amount of RON 600,000 in February-June 2022.

Computer Learning Center and ISEC Associates have been consolidated in the financial statements from September 2021.

IT Prepared

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

- The first instalment, amounting to USD 265,200, was paid in cash in RON equivalent immediately after the signing of the share purchase agreement, by a payment order to the two founding shareholders of IT Prepared;
- According to the sale-purchase agreement, the second instalment, in the amount of USD 368,290 (the updated amount following the closing of ITPrepared financial statements on 31.12.2021), would have been paid to the founders of ITPrepared in BNET shares in an operation of capital increase. In March 2023, the parties agreed to sign an additional act at the SPA, through which they established that the payment of second instalment should be made in cash, by bank transfer in national currency. Following the bank transfers, in March 2023, second instalment is considered fully paid.
- The third instalment, amounting to RON 1,078,768 (amount updated following the closing of IT Prepared's financial statements on 31.12.2022), will be paid to IT Prepared's founders in cash by 30.06.2023.

The transaction for taking over the majority stake in the company IT Prepared Srl was approved by the Shareholders in EGMS on November 26, 2020. Considering that the financial and operational situation of IT

Prepared Srl changed between the time of approval granted by EGMS and the time of signing the investment agreement, the parameters of the transaction were renegotiated for the benefit of Bittnet , the final evaluation being halved (thus Bittnet took over the majority package), and the payment will be dependent on the confirmation of positive operational results in 2021 and 2022.

IT Prepared has been consolidated in the financial statements since September 2021.

Nenos Software & Nonlinear

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

The value of the transaction for the acquisition of 60.97% of Nenos Software amounts to RON 4,850,000, settled in two instalments as follows:

- 50% of the transaction price (i.e. the amount of 2,425,000 lei) was paid by bank transfer to the account of the sole associate of Nenos Software;
- According to the sale-purchase agreement, the transaction value would have been settled by allocating in BNET shares in a acapital increase operation. In March 2023, the parties agreed to sign an additional act to the SPA, by which they determined that the payment of this tranche should be made in cash, by bank transfer. Following the transfer, in March 2023, the transaction price was fully paid.

For the acquisition of 60% of the company Nonlinear Srl, the transaction price is RON 120 and is equal to the nominal value of the assigned shares. Nonlinear had in 2020 a turnover of Ron 392,442 and a net profit of Ron 115,018, with 4 programmers employed.

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

By taking over the majority shares in Nenos Software Srl and Nonlinear Srl, Bittnet consolidates its position in the software development division, entering at the same time the artificial intelligence sector.

Nenos Software and Nonlinear have been consolidated in the financial statements since September 2021.

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

Global Resolution Experts S.A. (Tax registration number 34836770), 60% owned by Bittnet Systems, is a professional services company in the cybersecurity area, offering penetration testing Systems, as well as design, implementation and maintenance of cybersecurity solutions. GRX wholly owns GRX Advisory SRL (Tax registration number 43813325), with similar services.

The Group initially acquired a 74% stake in the "parent" company – GRX – in December 2021, and subsequently in the end of 2021 attracted a number of individual and corporate investors by selling a share of 14% of GRX shares. The price paid for 74% of GRX shares amounts to RON 11,425,600, of which RON 5,150,400 was paid in December 2021 and RON 6,275,200 was paid between March and April 2022, after the completion of the audit for the 2021 financial results. The sale price for 14% of the shares held in GRX was RON 3,472,631, which was received in full in December 2021 – January 2022.

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

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

Top Tech

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

After signing the closing in early September and registering the new shareholding structure with the Trade Register, Dendrio Solutions SRL holds 60% of Top Tech, while Bittnet Systems SA holds 40%. The total amount of the transaction price is RON 12,874,306, of which RON 5,000,000 will be settled in BNET shares in a future share capital increase; the cash component, amounting to RON 7,874,306, was fully paid in September 2022.

In March 2023, the parties signed an additional act to the sale-purchase agreement, by which they agreed that the amount of RON 2,000,000.11, related to tranche 2, should be paid in cash by payment order, and the amount of RON 2,999,999.89 to be converted into BNET shares in the capital increase carried out in quarter 1, 2023. The bank transfer was made in March 2023.

In December 2022, Bittnet Systems announced to its investors the co-optation of the investment fund Agista Investments in the Top Tech shareholding. The transaction was carried out through the sale by the subsidiary company Dendrio Solutions SRL of 56 shares, representing 14% of the share capital and voting rights of Top Tech, for the amount of RON 3,000,000. Following the co-optation of Agista as an investor in Top Tech, the shareholding structure of Top Tech is as follows: Bittnet Systems holds 160 shares, representing 40% of Top Tech, and Dendrio Solutions SRL holds 184 shares, representing 46% of Top Tech.

Top Tech has been consolidated in the financial statements from October 2022.

2Net Computer

2NET Computer SRL (Tax regstration number 8586712) is a Romanian company with more than 20 years of experience in providing IT&C products and services with a focus on the Brasov area and the central area of the country for local and international customers with presence in Brasov, Harghita and Covasna counties. 2net Computer provides technology products and solutions from leading international vendors, including: design and implementation of technical security systems; technology solutions & services for equipment configuration, servers, storage, networking, software, virtualization, hardware & software security; marketing of hardware components / PCs / printers, copiers & MFPs / scanners.

The total amount of the transaction price is RON 5,241,931, which will be paid in full in September 2022.

2Net Computer SRL has been consolidated in the financial statements since October 2022.

The E-Learning Company S.A.

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

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 value of the transaction is dimensioned at the amount of RON 2.5 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 instalment amounting to Ron 850,000 was fully paid in cash, the amount of 450,000 during Q1 2021, and the rest in April 2021. Brittnet’s management has decided to pay in full the 1st instalment in cash considering the long period of time for processing the operation of clearing with shares to the founders of the previous M&A transactions – the acquisition of 25% of Softbinator and 99% of Equatorial Gaming.
- the second instalment in the amount of RON 1,682,690 (which was calculated after the closing of financial statements on 31.12.2021) and was paid 50% in cash in April 2022, and the remaining 50% would have been paid in BNET shares in an operation of capital increase. In March 2023, the parties signed an additional act to the sale-purchase agreement shares, by which they established that the remaining 50% of the value of tranche 2 should be paid in cash by bank transfer.

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 loan was repaid in full during May 2022.

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. On the date when this note is drafted, Mihai Logofatu owns a number of 57,870,621 shares, which represents 12.04% of the share capital and voting rights. Mihai Logofatu is co-founder of Bittnet Systems.

2) **Cristian Ion Logofatu**, who owns a number of 53,461,971 shares, which represents 11.13% of the share capital and voting rights. Cristian Logofatu is co-founder of Bittnet Systems.

Mihai and Cristian Logofatu are brothers, being 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.

NOTE 2. BASIS FOR DRAWING UP THE FINANCIAL STATEMENTS

a) Declaration of conformity

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

The consolidated financial statements were prepared on the basis of the historical cost convention and on the basis of the business continuity principle. The consolidated financial statements are presented in RON, which is also the functional currency of the Group.

The financial statements were prepared for information purposes, in order and as a result to accept the issuer Bittnet Systems SA on the regulated market and do not represent the statutory financial statements of the entity/group.

The main accounting policies adopted in the preparation of the consolidated financial statements are set out at Note 30 "Significant accounting policies".

b) Business continuity

The Coronavirus pandemic posed a serious threat to public health and the Government imposed restrictions on natural and legal persons. The significant development and spread of the coronavirus did not take place until January 2020. The impact on business and the measures adopted are presented below. In view of the lifting of the alert status and the lifting of the restrictions it is expected that the impact for the financial year 2023 will be reduced.

Adopted measures

Using technology solutions from the Dendrio portfolio, as of March 2020, approximately 90% of the Bittnet Group team works from home, without significant disruption to daily activities. This measure has been taken for an indefinite period. In the event that all 100% of the team members need to work from home, the Group does not foresee any significant administrative impediment in its daily work, and the work schedule will continue almost under the same conditions as 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 all over the world, affecting badly some industries. This could lead to a liquidity crunch as consumers and businesses fear a future recession or economic crisis. Nevertheless, it seems that the monetary measures taken by governments and central banks have given enough confidence to the business environment assuring it that a “credit crunch” is not likely to occur. The group closely monitors liquidity indicators – conversion of receivables into cash, turnover with customers and suppliers, etc.

The resulting effects of this general environment are:

- The worsening semiconductor crisis has significantly affected projects that include hardware components. Although in the first quarter and even the first 6 months of 2021 there were moments of recovery in component supply flows (processors/chips), 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 to be over? Certainly not in the near future: https://www.bloomberg.com/graphics/2021-chip-production-why-hard-to-make-semiconductors/

- **Human factor pressure** – the global pandemic has introduced an easing in the way companies hire and interact with employees and collaborators. More and more global projects are being delivered with offshore resources, while geographic location simply has now a fiscal significance. As a result, IT companies in Romania, including firms in the group's technology division, are facing extremely fierce global competition in a market where skilled labour is scarce and becoming increasingly mobile.
- The consistent digitization of work processes over the past two years is leading to **a significant increase in demand for expertise in the Cybersecurity space.** Given that Dendrio offers a broad spectrum of solutions and services in the cybersecurity area but also the fact that as of August 2021 the technology division has started 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 favourable position for the coming period.

All considered scenarios imply that the Group will continue its operation, based on the business continuity principle.

c) Corrections for previous years

The Group's financial statements reported for the financial year 2021 have been corrected as a result of:

- reanalyzing the principles of recognizing pre-acquisition costs for interests participation (specialized M&A consultancy, financial and legal due-diligence services, legal services, etc.) in accordance with the provisions of the IFRS 3 standard;
- reanalyzing the provisions of the IFRS 15 standard ("Revenue from contracts with customers"), correlated with those mentioned in the interpretation ("agenda decision") provided by the IFRS Standards Interpretation and Maintenance Committee ("IFRIC - IFRS Interpretation Committee") in May 2022 regarding the resale of software licenses ("software resellers"). According to what is mentioned in Note 7, the Group has identified 5 categories of software licenses traded in the period 2021-2022 which represent resales of standard software licenses ("resale of standard software licenses"), in that in these cases the Group does not sell the rights associated with these software licenses in combination with its own value-added services, but only mediates their sale from producers / distributors to final customers. As such, the Group decided to amend the revenue recognition policy for the above-mentioned categories of standard software licenses resold with a singular character (i.e. without being combined with its own value-added services), considering that in these cases it acts as an Agent. Revenues resulting from the resale of these standard software licenses were recognized on a "net" basis, i.e. the resulting gross margin was fully recognized as income, with zero sales costs. No corrections were required for previous financial years.

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

The effects of the corrections on results and equity are provided in the tables below:

Comprehensive income	Corrected	Reported	Differences
Revenues from contracts with clients	109,813,736	112,576,327	(2,762,591)
Cost of sales	(85,419,670)	(88,182,261)	2,762,591
Other revenues	4,087,086	4,087,086	-
Sales costs	(9,547,280)	(9,547,280)	-
Administrative expenses	(12,648,079)	(12,648,079)	-
Other expenditure	(1,552,402)		(1,552,402)
Financial result	9,869,101	9,869,101	-
Tax Profit	(1,581,516)	(1,731,032)	149,516
Net result correction			(1,402,886)

Equity Capital	Corrected	Reported	Differences
Goodwill	40,771,174	41,705,648	(934,475)
Deferred tax	196,773	47,257	149,516
Trade receivables and other receivables	32,027,010	32,644,937	(617,927)
Total equity correction			(1,402,886)

d) New standards and interpretations, valid until 31 December 2022

The European Union has adopted a series of mandatory standards for the year ended 31 December 2021, which have been applied for the preparation of these individual financial statements:

- Amendments to IAS 16 "Tangible assets" - Receipts before intended use, adopted by the EU on June 28, 2021 (applicable for annual periods beginning on or after January 1, 2022)
- Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets" - Onerous contracts - The cost of fulfilling a contract adopted by the EU on June 28, 2021 (applicable for annual periods starting on or after January 1, 2022),
- Financial Reporting Conceptual Framework (Amendments to IFRS 3) - In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Financial Reporting Conceptual Framework without changing the accounting requirements for business combinations.
- Amendments to various standards due to "IFRS Improvements (cycle 2018-2020)" resulting from the annual IFRS improvement project (IFRS 1, IFRS 9, IFRS 16 and IAS 41) with the main purpose of removing inconsistencies and clarifying certain forms - adopted by the EU on June 28, 2021 (Amendments to IFRS 1, IFRS 9 and IAS 41 are applicable for annual periods starting on or after January 1, 2022. The amendment to IFRS 16 refers only to an illustrative example, so it is not mentioned an effective date).

The adoption of the new amendments to the existing standards did not have any significant impact on the Group's consolidated financial statements

e) New standards and interpretations not applicable on 31 December 2022

At the date of approval of these consolidated financial statements, the following amendments to the existing standards were issued by the IASB and adopted by the EU, not being in force yet:

- IFRS 17 "Insurance contracts", including amendments to IFRS 17 issued by the IASB on June 25, 2020 - adopted by the EU on November 19, 2021 (applicable for annual periods beginning on or after January 1, 2023),
- Amendments to IFRS 17 "Insurance contracts" - Initial application of IFRS 17 and IFRS 9 - Comparative information adopted by the EU on September 9, 2022 (applicable for annual periods beginning on or after January 1, 2023).
- Amendments to IAS 1 "Presentation of financial statements" - Presentation of accounting policies (applicable for annual periods starting on or after January 1, 2023);
- Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors" - Definition of accounting estimates (applicable for annual periods starting on or after January 1, 2023);
- Amendments to IAS 12 "Income taxes" - Deferred tax related to assets and liabilities arising from a single transaction (applicable for annual periods starting on or after January 1, 2023);

The group chose not to adopt these amendments to the existing standards before the effective dates of entry into force. The Group anticipates that the adoption of these standards and amendments to the existing standards will not have a significant impact on the consolidated financial statements of the Group during the initial application period.

f) New standards and amendments to existing standards issued by the IASB, but which have not yet been adopted by the EU Currently, IFRS as adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following new standards and amendments to existing standards, which were not approved for use in the EU on the publication of the consolidated financial statements (the effective dates mentioned below are for the IFRS standards issued by the IASB):

    - IFRS 14 "Deferral accounts related to regulated activities" (applicable for annual periods starting on or after January 1, 2016) - the European Commission decided not to issue the approval process of this interim standard and to wait for the final standard;
    - Amendments to IAS 1 "Presentation of financial statements" - Classification of liabilities into short-term liabilities and long-term liabilities (applicable for annual periods starting on or after January 1, 2023);
    - Amendments to IAS 1 "Presentation of financial statements" - Fixed liabilities with agreements (applicable for annual periods on or after January 1, 2024);
    - Amendments to IFRS 16 "Leasing contracts" - Leasing liabilities in case of sale and leaseback (applicable for annual periods on or after January 1, 2024); The Group anticipates that the adoption of these new standards and amendments to the existing standards will not have a significant impact on the Group's consolidated financial statements during the initial application period.

NOTE 3. ESSENTIAL ESTIMATES AND ACCOUNTING REASONING

TheGroup makes certain estimates and assumptions about the future. Estimates and reasoning shall be assessed on an ongoing basis on the basis of the historical experience and other factors, including expectations of future events that are considered reasonable in those circumstances. In the future, the real experience may differ from these estimates and assumptions. Estimates and assumptions that present a significant risk of generating a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below.

Essential reasoning

- Income recognition (Note 7) – principal/agent relationship;
- Bittnet brand recognition (Note 16);
- Recognition of the employee/collaborator loyalty program by offering actions - "SOP" (Note 22)
- Reclassification of Softbinator Technologies investment from equity securities to securities at fair value through profit or loss (Note 17)

Estimates and assumptions

- Fair value measurement of financial assets held for sale (Note 17)
- Evaluation of the counterperformance related to the employee/collaborator loyalty program by offering actions – "SOP" (Note 22)
- Adjustments assessment of the receivables impairment (Note 20)

Except for the valuation of financial assets held for sale, the Group does not have any assets and liabilities included in the financial statements that require measurement and/or disclosure of fair value.

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

NOTE 4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The Group shall be exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Currency risk
- Other market price risks and
- Liquidity risk.

Along with all other businesses, the Group is exposed to risks arising from the use of its financial instruments. This note describes the objectives, policies and processes of the Risk Management Group and the methods used to assess them. Additional quantitative information on these risks is presented below, in these financial statements.

There haven't been any substantial changes over the reported periods in terms of the Group's exposure to the risks of its financial instruments, objectives, policies and risk management processes or the methods used to assess them in previous periods, unless otherwise specified in this note.

(i) Main financial instruments

The main financial instruments used by the Group, resulting in the risk of the financial instrument, are the following:

- Receivables and loans;
- Cash and cash equivalents;
- Variable rate bank loans;
- Bank loans and fixed-rate bonds;
- Business debts and other liabilities.

(ii) Financial instruments by category

FINANCIAL LIABILITIES	31 Dec 2022	31 Dec 2021
Bond issue loans	34,804,159	24,917,101
Leasing liabilities	23,984,253	1,217,715
Bank loans	25,164,901	10,210,058
Trade liabilities and other liabilities	72,238,862	37,354,776
Total	**156,192,175**	**73,699,651**

FINANCIAL ASSETS	31 Dec 2022	31 Dec 2021 corrected
Receivables and loans	60,612,486	32,444,367
Cash and cash equivalents	42,300,365	23,403,197
Total	**102,912,851**	**55,847,564**

(iii) Financial instruments not measured at fair value

Financial instruments that are not measured at fair value include cash and cash equivalents, receivables and loans, trade and other liabilities, bank loans and bonds.

Due to the short-term nature, the net asset value of cash and cash equivalents, trade and other receivables as well as trade and other liabilities, including loans, is close to their fair value.

General objectives, policies and processes

The Board of Directors has overall responsibility for determining the Group's risk management objectives and policies and, while keeping the responsibility for them, has delegated the authority for design and operation of processes to ensure the effective implementation of the objectives and policies in the Group's funding function. The Council receives monthly reports from the Group CFO examining the effectiveness of the processes implemented and the adequacy of the objectives and policies it sets.

The overall objective of the Board of Directors is to establish policies that seek to reduce risks as far as possible without unduly affecting the Group's competitiveness and flexibility. More details on these policies are given below:

Credit risk

Credit risk represents the risk that the Group's debtors may not fulfil their obligations at the due date, due to the deterioration of their financial situation. The group 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 group analyses the new customers using specialized tools (sites with specific customer creditworthiness analysis) and has a strict procedure for documenting orders and providing services or delivering goods. As an evidence of this risk management, the Group was not affected in any way by the insolvencies of 2K Telecom or Teamnet International (unlike some of the competitors).

However, the Group 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.

Additional relevant information on trade and other receivables, which are neither due or impaired, is provided at Note 20.

Cash in bank deposits and short-term deposits

The Group regularly monitors banks' credit ratings and at the reporting date no losses from counterparties' non-performance are expected. For all financial assets for which impairment requirements have not been applied, the net asset value represents the maximum exposure to the credit loss.

Market risk

Market risk arises from the use by the Group of interest-bearing, tradable and foreign currency financial instruments. There is a risk that the fair value or the future cash flows of a financial instrument may fluctuate due to changes in the interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk

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

The group is exposed to the risk that the interest rate might increase, having contracted bank loans and bond issuance, all in RON. Any increase in the interest rate will be reflected by the increase in financial costs. The Group regularly monitors the market situation to forecast the risk associated with the interest rate.

Most of the amounts borrowed currently have fixed annual interest. The weighted cost of borrowed capital is just under 9% per annum. We believe that the next financial period will be a period in which the fact that, for the most part, the price of the borrowed capital has been fixed will constitute a competitive advantage.

	31 Dec 2022	31 Dec 2021
Variable interest	25,164,901	10,210,058
Fixed interest	58,788,412	26,134,816
Total	83,953,313	36,344,874

On December 31, 2022, if the interest rates corresponding to the loans in RON had been by 1% higher/lower, all the other variables being kept constant, the gross profit for that year would have been by 251,649 lower/higher (December 31, 2019: 102,101), mainly as a result of higher/lower interest expense on variable rate loans.

Currency risk

An important element of the market risk is the risk of exchange rate fluctuation. The group aims to be neutral against the fluctuation risk of the exchange rate. The activities carried out in this respect are:

- The Group avoids as much as possible the submission of "cross currency" sales offers (offers with the sale price expressed in other currency than the purchasing currency);
- If such offers are requested, clauses such as "variation limit" are included;
- All sale prices from the contracts are expressed in a foreign currency and are invoiced in RON at the exchange rate on the delivery date;
- The group does not operate with stocks;

Starting with fiscal year 2018, there was a need to contract financial products to ensure a fixed price for purchasing foreign currency. Several requests for tenders received from customers require tendering in a different currency than the purchasing currency. Thereby, the Group analysed and tested various financial solutions in this regard.

Once the export activity increases, the Group keeps the collected currency in the initial currency, in order to be able to make the payments directly in the currency of the external partner. This approach allows us to cancel the effect of the exchange rate fluctuation for the open invoices (because the losses recorded by increasing the value of the payment invoices are compensated by the gains produced by the increased value of the owned foreign currency). Especially with Dendrio's acquisition, the estimates collected from Bittnet's customers are more relevant for Dendrio's payments to external suppliers (Dendrio has significant purchases from external suppliers).

On 31 December, the Group's net exposure to foreign exchange risk was as follows (equivalent amounts in

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

RON):

Net financial assets/(liabilities) in foreign currency	31 Dec 2022	31 Dec 2021
		corrected
RON	(44,350,317)	(16,425,447)
EUR	(11,453,794)	(2,513,343)
USD	2,524,786	1,086,702

Other market risk

The Group holds some strategic equity investments in other companies that complement the Group's operations. The management considers that the exposure to market risk in this activity is acceptable in the circumstances of the Group, but it is much higher than the risk associated with an investment in government securities or stakes in investment funds, mainly due to the volatility and unpredictable evolution of share prices, both on short term and on long term.

The general risks associated with the direct or indirect acquisitions that the Group has carried out or will carry out in the future described under the subsection are fully applicable also with respect to Dendrio's acquisition of the IT&C Integration Activity from Crescendo.

From the perspective of the way the investment was structured, the qualification of an operation between Dendrio and Crescendo as a business transfer, both from a tax point of view and from the perspective of employees' rights (at local and EU level) is essential. However, this qualification depends on a number of aspects that show, among others, the independence and economic identity of the business that has been taken over. The Group's efforts have been and continue to be the identification of the Transferable Elements so that the IT&C integration activity to be taken over from Crescendo maintains these characteristics (independence and economic identity). However, in the event of a dispute which would call into question the qualification of the operation between Dendrio and Crescendo (e.g. with the tax authorities and/or the transferred staff), there is no guarantee that the same assessment will be made by the court concerned.

To the extent that the operation between Dendrio and Crescendo would be removed from the scope of the business transfer, the negative effects may consist of the ineffectiveness of taking over Crescendo's employees, considered, by the specificity of the activity taken over, the most important element of the business transfer concerned and/or the occurence of the obligation to pay VAT by Dendrio to Crescendo (if VAT would not be considered part of the price) in the context of the Business Transfer Agreement, in such case generating a limited liquidity risk for Dendrio.

In addition to the particularities of Crescendo's IT&C Integration Acquisition Structure and relevant documentation, the specifics of the Acquired Activity and the Transferred Items pose challenges for the Group and Dendrio that may decisively influence Crescendo's integration, customer base, expected margins or cash flows, or achieve anticipated acquisition benefits, including expected growth or synergies

Liquidity risk

Liquidity risk stems from the Group's management of the working capital and financial expenses and main repayments of its debt instruments. There is a risk that the Group will encounter difficulties in meeting its financial obligations as they mature.

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

It is the Group's policy to ensure that it will always have sufficient cash to enable it to cover its debts at maturity. To achieve this objective, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days. The Group also seeks to reduce liquidity risk by fixing interest rates (and therefore cash flows) on part of its long-term loans, and this is mentioned in the „interest rate risk" section above.

The following table shows contractual maturities (representing contractual cash flows of financial liabilities):

31 December 2022	Up to 3 months	3 to 12 months	1 to 2 years	Over 2 years
Bond issue loans	10,864,435	14,329,918	-	9,609,806
Leasing liabilities	997,312	3,737,984	4,557,220	14,691,737
Bank loans	1,468,501	12,530,290	1,684,079	9,482,031
Trade liabilities and other liabilities	61,077,991	11,160,871	-	-
Total	74,408,239	41,759,063	6,241,299	33,783,574

31 December 2021	Up to 3 months	3 to 12 months	1 to 2 years	2 to 5 years
Bond issue loans	872,768	-	24,044,334	-
Leasing liabilities	157,218	361,453	306,848	392,196
Bank loans	692,574	3,207,749	6,309,736	-
Trade liabilities and other liabilities	25,573,165	11,157,475	624,136	-
Total	27,295,725	14,726,677	31,285,053	392,196

Relevant information on capital

The Group shall monitor the capital comprising all components of the equity.

The Group's objectives in maintaining capital are:

- protect the entity's ability to continue as a continuing concern so that it can continue to generate profits for shareholders and benefits for other stakeholders; and
- provide an adequate return to shareholders by establishing the prices of the products and services in line with the risk level.

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

NOTE 5. ACTION RESULT

The group presents both the basic result per share and the diluted result per share:

- the basic earnings per share are calculated by dividing the net profit for the current year attributable to the Group's shareholders by the weighted average number of shares over the period;
- the diluted earnings per share shall be calculated on the basis of the net profit, adjusted by the dilutive effect of the employee's share options.

The earnings per share are adjusted retroactively at the beginning of the first period reported for the increase in the number of shares resulting from capitalization.

The calculation of the result per share for the financial years 2021-2022 is presented in the following table:

	2022	2021
		corrected
Net profit attributable to parent company (A)	(5,358,890)	12,319,250
Number of shares - beginning of period	480,436,904	264,431,393
Capitalization ofpremiums/retained earnings	-	197,826,961
Shares issued during the period against cash	48,043,691	18,178,550
Number of shares - end of period	528,480,595	480,436,90 4
Average ordinary shares in the period (B)	512,466,031	474,377,387
Dilutive Effect Shares (SOP)	97,768,910	88,880,827
Total average (C)	571,479,698	539,236,369
Earnings per share		
basic (A/B)	(0.0105)	0.0260
diluted (A/C)	(0.0094)	0.0228

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

NOTE 6. INFORMATION PER ACTIVITY SEGMENT

Reporting by activity 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 two key divisions: Education and Technology.

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

  Training offered by **Bittnet**, **Equatorial** and **Computer Learning Center** allows experts access to technology by teaching IT skills, from basic (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**, as well as **ISEC Associates**, **IT Prepared**, **Nenos Software**, **Nonlinear**, **Global Resolution Experts** and **GRX-A, Top Tech** and **2Net Computer**. 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.

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.

		2022			2021	
OPERATIONAL RESULTS	Education	Technology	Total	Education	Technology	Total corrected
Total revenues	21,382,542	176,551,654	197,934,196	14,376,372	101,116,201	115,492,573
Revenues between segments	(655,592)	(5,122,115)	(5,777,707)	(193,310)	(5,485,527)	(5,678,837)
Revenues from contracts with clients	20,726,951	171,429,539	192,156,489	14,183,062	95,630,674	109,813,736
Gross margin	**9,278,774**	**33,465,449**	**42,744,222**	**7,270,586**	**17,123,479**	**24,394,065**
Allocated sales costs	(4,854,912)	(8,938,419)	(13,793,331)	(3,922,351)	(5,624,928)	(9,547,280)
Margin, after sales costs	**4,423,862**	**24,527,029**	**28,950,891**	**3,348,235**	**11,498,551**	**14,846,786**
Other revenues	2,398,847	1,082,612	3,481,459	1,256,150	2,830,936	4,087,086
Unallocated operating expenses			(24,999,980)			(12,648,079)
Other expenditure			(2,145,821)			(1,552,402)
Financial income/expenditure			(7,355,734)			9,869,101
Gross profit			**(2,069,186)**			**14,602,491**

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

	31 Dec 2022			31 Dec 2021		
ASSETS / LIABILITIES	Education	Technology	Total	Education	Technology	Total
Investments in non-financial assets	2,954,514	35,314,553	**38,269,067**	3,095,515	18,995,373	**22,090,888**
Assets per segment	61,388,109	157,022,345	218,405,454	21,348,766	83,071,492	104,420,259
Unallocated assets			2,191,247			26,692,930
Total Assets			**220,596,701**			**131,113,189**
Debts per segment	28,291,543	131,670,540	159,962,083	16,881,488	50,477,490	67,358,978
Unallocated liabilities			3,139,853			11,251,721
Total liabilities			**163,101,936**			**78,610,699**

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

NOTE 7. REVENUES FROM CONTRACTS WITH CLIENTS

Revenues from contracts with customers for the financial years 2021-2022 are detailed in the following table:

	2022	2021
Training services	20,726,951	14,183,062
IT solutions integration services	44,765,567	24,436,315
Revenues from the provision of services	65,492,518	38,619,377
Selling goods integrating IT solutions	80,678,297	32,627,694
Resold licenses	45,985,674	38,566,665
Sale of goods	126,663,972	71,194,359
Total	192,156,489	109,813,736

Training services

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

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

IT solutions integration services

The IT solutions provided by the Group include: general consulting services, IT assessment services, implementation and migration services, maintenance and support services, infrastructure optimization services. The integrator business means the supply of 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, the revenues are recognized at a specific time, at the end of the implementation as a result of fulfilling the execution obligation.

Revenues from the sale of goods and licenses

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

Revenue from a geographical perspective

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

Essential reasoning

The Group has analysed in the light of the provisions of IFRS 15 whether it acts in its own name („Principal”) in relation to the customers, namely whether it controls the promised goods and services before transferring the good or service to a customer.

Analysing the merchandise sales contracts (hardware equipment and software licenses), Bittnet Group considers that it has obligations in its own name, and therefore acts as „Principal” and not as an intermediary („Agent”). To reach this conclusion, the Group analysed the ordering and delivery processes of the equipment and licenses, the moment of transfer of rights by the supplier to the Group and from the Group to the customer, and the occurrence of the risks associated with the control.

The Group sells the rights over the goods produced by the producers in combination with its own value-added services. These services are advisory and know-how services (often governed and certified by our status as partners with manufacturers), ensuring that the solutions sold to customers meet their specific requirements and needs. These services are an integral and essential part of our obligations to our clients, because these services do not provide separate value to clients, and are not billed separately. The combination of qualified consulting services (pre- and post-sales) and the goods produced by the manufacturers is, in fact, what ensures the benefit to the customers, in the form of a solution tailored to their specific needs (e.g. providing various upgrade options and maximum flexibility) and legally compliant. Also, even after the conclusion of the contract, throughout the duration of the contract, the Group is the only point of contact and the sole responsible to the customer for any problems (in which case the Group's team solves the deficiencies and/or liaises with the manufacturer to remedy the problems that have occurred) or additional requirements (e.g. software upgrade).

Even if the IT equipment or software licenses sold by the Group are produced by other entities, the Group's promise to its customers is not to produce those goods, but to deliver them, and often also to perform additional activities such as installation, customization, combination, activation, configuration, optimization and maintenance during operation - these being key elements of the performance obligations assumed to customers. From the customer's perspective, the Group's promise represents a single performance obligation (i.e. the delivery of a customised and legally compliant solution) and the Group assumes the performance risk for the entire solution, which attests the Group's control over the products in the delivery flow. Regarding the delivery to the customer, this is performed by the Group – which takes actual possession of the goods (including the software activation keys) and transmits them to the final customer, along with the specific internal activation processes in the intended portals (processes performed by the Group team). Also, through the contracts concluded with manufacturers, the Group receives, according to its status as an authorized partner, the right to use the manufacturer's intellectual property, which is separate from the actual licenses sold to customers; as such, the Group controls the entire promise to the customer prior to delivery.

Although the Group does not normally have inventory risk prior to receiving the order from the customer, from that moment on, the Group takes over the inventory risk until the final transfer of control of the goods to the end customer. Even if by definition there is only one manufacturer for each type of equipment or software license sold to customers, the Group can decide to buy directly from the manufacturer, or from any other authorised supplier (distributor, importer, European whole-saler, global, etc.). If, for any reason, the delivery to the customer is not completed or it is not successful (according to the obligations undertaken to the customer), the Group will remain in possession of the goods without being able to return them to the supplier or sell them to another customer. Also, in certain situations, the Group places advance orders with suppliers (i.e. before receiving the order from the customer) in order to secure volume discounts or to take advantage of good prices (thus voluntarily assuming inventory risk), and subsequently transfers goods to customers as they confirm their purchase intentions.

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

In conclusion, the Group makes customers a promise to deliver the goods, takes possession and control of them and sets the sale prices, in negotiation processes. The Group is free to agree prices with customers; thus, the Group may grant additional discounts, or request price increases to reflect currency risks, speed of delivery, risk of non-payment from the customer, etc. In other words, for customers, the Group is the supplier of the goods, even if they are produced by manufacturers and/or delivered by distributors, the Group being fully responsible for the proper delivery of agreed projects.

In addition, the Group bears the full credit risk for the entire value of the goods (hardware and software) – orders once placed with suppliers (either directly with the manufacturer or with authorised intermediaries) are non-refundable. In assessing the decision to initiate and/or continue business relations with customers, the Group only analyses the ability and intention/goodwill of customers to pay invoices on time. The Group has full control over the sales strategy, decides what goods and services to offer, deliver and ultimately implement/configure.

NOTE 8. SALES COST

The sales costs for the financial years 2021-2022 are presented in the following table:

	2022	2021
Selling cost of the goods IT solutions integration	70,551,177	28,295,104
Resold licenses	36,533,989	32,650,828
Other direct materials	550,054	237,354
Cloud services	5,364,091	5,491,123
Staff expenditure	14,862,581	5,005,674
Expenses with collaborators	8,427,193	4,862,242
Services provided by third parties	13,123,183	8,877,345
Total	**149,412,267**	**85,419,670**

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

NOTE 9. OTHER INCOME and OTHER EXPENDITURE

a) Other revenues

	2022	2021
Sale of Autodesk business	-	2,226,195
Debt restructuring CLC / ISEC	-	1,384,678
Sale of White Hat application	1,483,740	
Subsidies	697,349	259,318
Sale & lease-back IT equipment	1,232,366	71,392
Other revenues	68,003	145,503
Total	3,481,459	4,087,086

Sale of White Hat application

On 15.12.2022 the sale and purchase agreement was signed between Equatorial Training and Bluepoint IT Solutions, concerning the sale of the White Hat application. The contract price is EUR 300,000 and will be collected by Equatorial Training in 3 instalments until 2025.

Sale of Autodesk business

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

Debt restructuring of Computer Learning Center / ISEC Associates

In September, after the registration of the new shareholding structure of Computer Learning Center and ISEC Associates, the Group contacted the creditors of these companies to restructure their debts, taking into account the new financial position of the two companies that recently joined the Bittnet Group – concluding a payment agreement for each company.

Based on the two payment agreements, CLC and ISEC have committed to immediately pay 35% of the total amounts due in exchange for the full settlement of their historical debts, thus strengthening their financial position. In this respect, Bittnet granted a loan worth RON 560,000 to Computer Learning Center and RON 370,000 to ISEC Associates, funds with which the transfers were made to the creditors of CLC and ISEC, according to the agreements.

The one-off revenues generated by the two companies, Computer Learning Center and ISEC Associates, in September 2021, following the debt restructuring, have been adjusted as a result of the valuation exercise carried out with an independent valuer to determine the fair values at the date of acquisition for all identifiable assets, liabilities and contingent liabilities of the acquired companies, values that were initially acknowledged in the consolidated financial position of the Group.

b) Other expenditure

	2022	2021 corrected
Pre-acquisition costs of participating interests	1,650,821	1,552,402
Goodwill impairment	495,000	-
Total	**2,145,821**	**1,552,402**

Following a review of the principles of cost recognition in accordance with the provisions of IFRS 3, "Business Combinations", pre-acquisition costs of participating interests (specialised M&A consultancy, financial and legal due-diligence services, legal services, etc.) were fully recognised in the period in which the services were provided.

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

NOTE 10. SALES EXPENSES

The sales expenses for the financial years 2021-2022 are presented in the following table:

	2022	2021
Staff expenditure	5,060,654	2,787,996
Expenses with collaborators	6,177,884	4,588,165
Commissions and fees	445,727	364,209
Advertisement	2,109,066	1,806,910
Total	13,793,331	9,547,280

NOTE 11. GENERAL AND ADMINISTRATIVE EXPENSES

The administrative expenses for the financial years 2021-2022 are detailed in the following table:

	2022	2021
Materials	864,742	181,709
Staff expenditure	5,529,706	2,552,953
Provisions for unpaid holidays for employees	428,237	-
Expenses with collaborators	4,608,772	3,327,730
Amortization	4,424,982	2,388,267
Headquarters rent	539,265	315,136
Rental of equipment and machines	154,300	80,425
Travel and transportation	478,815	81,517
Insurance	254,900	165,673
Telecom and post expenditure	209,505	128,730
Donations	327,484	193,845
Receivables adjustments	198,849	46,258
Bank fees	189,398	115,231
Other third party services	4,766,804	2,301,778
Other expenditures	2,024,222	766,897
Total	24,999,980	12,648,079

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

NOTE 12. CLASSIFICATION OF EXPENSES BY THEIR NATURE

The classification of total operational expenses, by nature, for the financial years 2021-2022 is detailed in the following table:

	2022	2021
Materials and goods	71,965,973	28,714,167
Resold licenses	36,533,989	32,650,828
Staff expenditure	25,452,942	10,346,623
Provisions for unpaid holidays for employees	428,237	-
Expenses with collaborators	19,213,848	12,778,137
Amortization	4,424,982	2,388,267
Cloud services	5,364,091	5,491,123
Rent expenditure	693,565	395,561
Commissions and fees	445,727	364,209
Advertisement	2,109,066	1,806,910
Travel and transportation	478,815	81,517
Insurance	254,900	165,673
Telecom and post expenditure	209,505	128,730
Donations	327,484	193,845
Receivables adjustments	198,849	46,258
Bank fees	189,398	115,231
Services provided by third parties	17,889,987	11,181,053
Other expenditures	2,024,222	766,897
Total operating expenses	**188,205,579**	**107,615,029**

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

NOTE 13. FINANCIAL INCOME AND EXPENSES

Details of revenues and expenses for the financial years 2021-2022 are presented in the following table:

FINANCIAL INCOME	2022	2021
Interest income	90,607	103,643
Investment income	(522,105)	2,251,557
Income from valuation of securities	(2,888,985)	9,736,569
Total	(3,320,483)	12,091,769

FINANCIAL EXPENSES	2022	2021
Bank interest	1,300,663	520,160
Factoring costs	1,344	19,285
Interest on issued bonds	2,302,049	2,499,875
Leasing interest	740,163	235,850
Net income/expenses exchange rate differences	(35,339)	(279,487)
Total	4,308,881	2,995,683

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

NOTE 14. TAX PROFIT

Details regarding the current and deferred tax profit for the financial years 2021-2022 are presented in the following table:

	2022	2021 corrected
Current profit tax	1,095,107	1,231,616
Deferred tax	(1,075,051)	299,137
Total income tax	**20,056**	**1,530,753**
Micro-enterprise tax	103,344	50,763
Total tax	**123,400**	**1,581,516**

Income tax reconciliation

	2022	2021
GROSS INCOME	(2,069,186)	14,602,491
Legal reserve	(22,561)	(510,596)
Non-taxable income	(5,781,854)	(6,540,087)
Non-deductible expenses	9,385,531	3,594,432
TAXABLE INCOME	1,511,931	11,146,240
Income tax (16%)	241,909	1,745,103
Sponsorship discount	(221,853)	(214,350)
Total income tax	**20,056**	**1,530,753**

Deferred tax

Payable and recoverable deferred taxes are valued at the effective 16% tax rate. Payable and recoverable deferred taxes as well as deferred tax expense/(income) recognized in the statement of comprehensive income are attributable to the following items: recognition in the consolidated financial statements of the gain from the valuation of securities put into equivalence, temporary differences in the fiscal recognition of some costs (interest), reprocessing in connection with the application of IFRS 16 (leasing).

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

NOTE 15. GOODWILL

Details on goodwill are presented in the following table:

	31 Dec 2022	31 Dec 2021 corrected
Positive goodwill - DENDRIO	2,536,315	2,536,315
Positive goodwill ELIAN	348,385	348,385
Positive goodwill - CRESCENDO	14,816,943	14,816,943
Positive goodwill - EQUATORIAL	2,886,334	3,381,334
Positive goodwill – CLC	2,756,124	2,756,124
Positive goodwill – ISEC ASSOCIATES	1,016,504	1,016,504
Positive goodwill – IT PREPARED	3,395,739	2,445,888
Positive goodwill – NENOS & NONLINEAR	4,688,289	4,688,289
Positive goodwill GRX	8,781,392	8,781,392
Positive goodwill – TOP TECH	11,470,235	-
Positive goodwill – 2NET COMPUTER	4,831,931	-
Total	57,528,189	40,771,174

Goodwill calculation:

	Cost of acquisition	Net assets at fair value	% shareholding upon purchase	Goodwill impairment	Goodwill
Dendrio Solutions	2,266,254	(270,061)	100%	-	2,536,315
Elian Solutions	510,000	316,768	51.02%	-	348,385
Crescendo	16,350,000	1,533,057	100%	-	14,816,943
Equatorial Gaming	4,646,000	1,277,570	98.99%	495,000	2,886,333
Computer Learning Center	725,000	(2,031,124)	100%	-	2,756,124
ISEC Associates	295,000	(1,030,838)	69.992%	-	1,016,504
IT Prepared	3,746,162	698,055	50,2%	-	3,395,739
Nenos Software & Nonlinear	4,850,120	266,344	60.97%	-	4,688,289
Global Resolution Experts	9,264,000	669,238	60%	-	8,781,392
Top Tech	12,874,307	1,404,072	100%	-	11,470,235
2Net Computer	5,241,931	410,001	100%	-	4,831,931
TOTAL					57,528,189

Goodwill recognition

For the Gecad acquisition (currently Dendrio), the Management analysed the "ongoing" contracts at the time of acquisition, meaning that they were signed before September 2017. Taking into account the business typology that both Bittnet and Gecad carry out in the area of activity "IT Integration", the Management appreciated that there are no identified contracts that could have been included in the asset category and generate a significant change in the financial position. In this analysis, we considered the existence of multi-annual contracts, which were about to generate revenues in the financial years 2018 and 2019, but whose gross margin wasn't significant, being rather marketing channels through which the Dendrio team maintains the relationship with customers, or by which it ensures Microsoft partner status. At the same time, the management considered that in both Dendrio and Bittnet cases, the most important part of the business is the ability to generate new projects, to be near the customers when they need them, and the ability to learn new technologies before customers, in order to provide value to the customers by installation, implementation, maintenance.

At the end of 2018, Dendrio took over the IT&C integration activity from Crescendo International, a company with 25 years of experience in Romania and foreign markets. For the business transfer from Crescendo International, Dendrio Solutions paid to Crescendo International the amount of RON 10.9 million and undertook to pay a difference in ratio with the "adjusted average EBITDA achieved by the IT&C integration activity prior to its transfer to the Beneficiary", if the top management team ensures the retention of human resources and commercial relations with the existing clients and key suppliers related to the transferred activity, in order to preserve the value of the IT&C integration activity taken over from Crescendo International SRL.

The value of the IT&C integration activity transferred from Crescendo International SRL consists mainly of the related human resources, which also includes a significant component of technical and commercial expertise and experience, and of the commercial relations with the main customers and suppliers, often based even on the relations with the people in the team who served them.

Based on the final financial results of 31.12.2019, the value of the additional remuneration was 1 X EBITDA adjusted average achieved by the IT&C integration activity before its transfer to the Beneficiary, namely RON 5.45 million. Consequently, the goodwill for this transaction increased from 9.37 million RON to 14.82 million RON.

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. Moreover, in August 2020, the shareholders of Equatorial Gaming approved, by the EGMS Resolution of 25.08.2020, the capital increase by contribution in kind of the shareholder Berteanu Daniel, representing the countervalue of the brand "Equatorial playground for new habits". Following these operations, Bittnet Systems reached a holding of 38.62% of the share capital of Equatorial Gaming SA.

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. The transaction price was set at the amount of RON 2,546,000 and, according to the GMS Resolution, was partially settled in cash as well as in the form of BNET shares. During the same meeting, the Board of Directors was mandated to determine the percentage between the two settlement methods. Following these operations, Bittnet Systems reached a 98.99% holding in the share capital of Equatorial Gaming SA.

For the acquisitions completed in August 2021 (Computer Learning Center, ISEC Associates, IT Prepared, Nenos Software & Nonlinear), December 2021 (Global Resolution Experts and GRX Advisory) and September 2022 (Top Tech and 2Net Computer) respectively, the Group carried out a valuation exercise together with an independent valuer to determine the fair values at the acquisition date for all identifiable assets, liabilities and contingent liabilities of the acquired companies, values which were initially recognised in the Group's consolidated statement of financial position.

Goodwill was tested for impairment at the end of the financial year.

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

NOTE 16. OTHER INTANGIBLE ASSETS

Intangible assets include mainly Bittnet Brand and software licenses.

	Brands	Licenses and other intangible assets	Total other intangible assets
Net value			
On 31/12/2020	**6,450,518**	**2,370,442**	**8,820,959**
Inputs	-	1,465,047	1,465,047
Assignments/Transfers	-	-	-
Amortization	-	(1,066,639)	(1,066,639)
On 31/12/2021	**6,450,518**	**2,768,850**	**9,219,368**
Inputs	(10,162)	2,287,403	2,277,241
Assignments/Transfers	-	(1,249,201)	(1,249,201)
Amortization	-	(1,170,407)	(1,170,407)
On 31/12/2022	**6,440,355**	**2,636,645**	**9,077,001**

Essential Reasons - Bittnet Brand (Recognition, Evaluation, Registration)

Bittnet brand

The Bittnet brand was purchased at the end of 2018 from the former owner, at a price equivalent to the value evaluated by an independent evaluator. The assessment was carried out by the cash flow method (DCF), having as reference a royalty of 5% of the turnover from the training activity, according to the previous licensing contract, the rate that is comparable to the market conditions.

Management has taken into account the fact that the Bittnet Mark is separable, i.e. it may be separated or divided by the entity and sold, transferred, authorized, rented or exchanged, either individually or together with a corresponding contract, asset or liability, and at the same time it has entered the Group's patrimony from contractual or other legal rights, regardless if those rights are transferable or separable from the entity or from other rights and obligations.

The Group controls the Bittnet Brand with the ability to derive future economic benefits from the underlying resource and to restrict others' access to those benefits. The ability to control future economic benefits comes from legal rights whose enforcement can be upheld in court - according to Law 8 on Copyright.

Debt remission transaction registration

The debt from the acquisition of the trademark was remitted to the founders of the company, Mihai and Cristian Logofatu, subsequently paid by transferring some assets from the personal assets of the founders to the seller of the trademark.

The management analysed the debt remittance transaction and concluded that it represents an income and not a capital operation. The transaction was made with the founders of Bittnet Systems as managers, considering the founders' commitment to minority shareholders to bear in their own name the cost for acquiring the brand, thus correcting the error in the past of not being diligent enough to register the brand at State Office for Inventions and Trademarks. The income resulted from debt remittance amounting to 5,786,000 was recognized in the financial year 2018 in the Statement of comprehensive result on the line "Other income".

Equatorial brand

The Equatorial trademark was added as a capital contribution in kind to the capital of Equatorial Gaming by the shareholder Berteanu Daniel in August 2020, at a price equivalent to the value assessed by an independent appraiser. The valuation was carried out using the Discounted Cash Flow (DCF) method, taking as a reference a royalty of 4% of the turnover from the training activity, a rate that is comparable to market conditions.

Management has taken into account the fact that the Equatorial Brand is separable, i.e. it may be separated or divided by the entity and sold, transferred, authorized, rented or exchanged, either individually or together with a corresponding contract, asset or liability, and at the same time it has entered the Group's patrimony from contractual or other legal rights, regardless if those rights are transferable or separable from the entity or from other rights and obligations.

The Group controls the Equatorial Brand with the ability to derive future economic benefits from the underlying resource and to restrict others' access to those benefits. The ability to control future economic benefits comes from legal rights whose enforcement can be upheld in court - according to Law 8 on Copyright.

Essential reasoning – indefinite life span

The trademarks were acquired in a business combination and are the only ones allocated to the business. It has been established that it has an indefinite life span because there is no intention to abandon the brand name. The Group has the ability to maintain the value of the brand indefinitely. Thus, the trademark is not paid off, but it is tested annually for impairment. As brands do not generate largely independent cash inflows, they are allocated to the Group's CGUs for goodwill impairment testing as part of the assets of the business.

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

NOTE 17. TANGIBLE ASSETS

Tangible assets mainly include office space layouts and equipment necessary for operational activities. Movements within tangible assets are presented in the table below.

	Leased spaces and fittings	Technical installations and machinery	Other equipment and furniture	Total fixed assets
Cost				
On 31/12/2020	5,167,695	4,095,450	201,703	9,464,848
Leasing inputs	199,271	771,471	7,280	978,022
Inputs	157,437	264,723	68,035	490,194
Assignment/Transfer	(5,167,695)	(704,762)	-	(5,872,457)
On 31/12/2021	356,708	4,426,882	277,018	5,060,607
Leasing inputs	20,970,488	5,167,289	-	26,137,778
Inputs	2,858,834	283,944	872,750	4,015,529
Assignment/Transfer	(537,362)	(918,943)	(12,208)	(1,468,513)
On 31/12/2022	23,648,668	8,959,172	1,137,560	33,745,401
Amortization				
On 31/12/2020	1,871,385	2,011,213	138,826	4,021,424
Cost of the period	381,727	674,759	49,509	1,105,996
Assignment/Transfer	(2,253,112)	(166,214)	-	(2,419,326)
On 31/12/2021	-	2,519,758	188,336	2,708,093
Cost of the period	1,910,046	2,106,195	112,403	4,128,644
Assignment/Transfer	11,295	(898,595)	(12,504)	(899,804)
On 31/12/2022	1,921,341	3,727,358	288,235	5,936,933
Net value				
On 31/12/2022	21,727,327	5,231,814	849,326	27,808,467
On 31/12/2021	356,708	1,907,124	88,682	2,352,514
On 31/12/2020	3,296,310	2,084,238	62,876	5,443,424

No mortgages or guarantees were established regarding the tangible assets held.

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

NOTE 18. SECURITIES

a) Investments accounted for using the equity method

	31 Dec 2022	31 Dec 2021
E-Learning Company	2,919,939	1,996,840
Total	2,919,939	1,996,840

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 associated party, respectively in January 2021. In applying the equivalent/equity method, the financial information was used on January 31, 2021.

b) Other financial assets (securities) at fair value

	31 Dec 2022	31 Dec 2021
Softbinator Technologies	12,308,834	15,270,453
Safetech Innovations	-	632,560
Arctic Stream	1,481,550	1,791,601
Chromosome Dynamics	-	225,270
Total	13,790,384	17,919,885

Softbinator Technologies

In December 2020, Bittnet Group acquired a 25% stake in Softbinator Technologies for RON 8,127,500, the Group's first investment in a software development company. In December 2020 Bittnet held 22,500 shares, with a nominal value of RON 1 per share, out of a total subscribed and paid-up capital of RON 90,000, divided into 90,000 shares.

Softbinator is a product development company, specializing in the design, development and market launch of software products with a focus on Fintech, MedTech/HealthTech and EdTech for customers in Europe, North America and Asia.

Softbinator is involved in the development of software products, web and mobile solutions for digitizing the education process, lifestyle/medical and health, e-payments, e-commerce, online gaming and has ticked in 2020 areas unexplored in previous years through digital banking (including crypto), the Internet of Things (IoT), Automotive and it explored a new vertical in e-commerce expertise: marketplaces.

Softbinator Technologies share listing (trading symbol: CODE)

At the end of August 2021, Softbinator Technologies announced its intention to list on the AeRO market of the Bucharest Stock Exchange (under the trading symbol CODE) by the end of the year. Prior to the listing, Softbinator Technologies also announced its intention to conduct a private placement to raise capital to scale up the company internationally.

In order to carry out the private placement for the sale of shares, as well as for the admission to trading on the AeRO-SMT market of the BVB for CODE shares, several operations were carried out, prior to the placement, as follows:

a) Convening of the General Meeting of Shareholders

The shareholders of Softbinator Technologies decided on 09.09.2021 to lower the nominal value of one Softbinator Technologies share from RON 1 per instrument to RON 0.1 per instrument. As a result of the reduction/split of the nominal value, new shares were issued to existing shareholders in a ratio of 9:1 (nine new shares issued for each share held at the record date).

Following this transaction, Bittnet Systems held a total of 225,000 shares, representing 25% of the 900,000 issued shares of Softbinator Technologies.

b) Increase of the share capital by RON 10,000

The shareholders of Softbinator Technologies decided on 09.09.2021 to increase the share capital by the amount of RON 10,000, which was allocated from the retained earnings, by issuing 100,000 shares with a nominal value of RON 0.1. The shares were allocated in proportion to the holdings of each shareholder. As a result of the increase, the share capital of Softbinator Technologies reached a subscribed and paid-up capital worth RON 100,000, divided into 1,000,000 shares, while the shareholder Bittnet Systems was allocated 25,000 new shares free of charge, with a nominal value of RON 0.1 per share and a total nominal value of RON 2,500.

Following this operation, Bittnet Systems held a total of 250,000 shares, representing 25% of the total Softbinator Technologies shares.

c) Assignment of newly issued shares as treasury shares

The shareholders of Softbinator Technologies unanimously resolved on 09.09.2021 that 10% of the total number of shares held, i.e. all the shares issued and allotted as a result of the capital increase operation described above, be made available to Softbinator Technologies as treasury shares for the purpose of trading in the private placement. In this respect, the shareholder Bittnet Systems has transferred to the treasury of Softbinator Technologies a number of 25,000 CODE shares at a nominal value of RON 0.1 per share, for which it received the equivalent amount of RON 2,500 – nominal value.

Following this operation, Bittnet Systems held a total 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 treasury shares do not have voting rights and cannot receive dividends.

d) Transfer of Softbinator shares

At the end of September 2021, prior to the completion of the private placement, Bittnet Systems sold a total of 36,020 Softbinator Technologies shares to various individuals and legal entities. The transfer of shares was made at the maximum price of the placement (RON 60 per share), outside the capital market mechanisms and represents 3.602% of the share capital and shares of Softbinator Technologies. As a result of these transactions, Bittnet Systems received RON 2.16 million.

Following these transactions, Bittnet holds a total of 188,980 shares, representing 18.898% of the total Softbinator Technologies shares.

e) Private placement performance

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

Essential reasoning – Reclassification of Softbinator Technologies investment from equity securities to fair value through profit and loss account

Following the operations described above, the Bittnet Group has reviewed the classification of the investment in Softbinator Technologies as at 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 that this differentiating element disappeared with Softbinator's direct access to the capital market through the private placement with CODE shares, the Group's management took the decision to give up its involvement in the management of Softbinator Technologies' business. Otherwise, the 188,980 shares held on 30.09.2021, representing 18.898% of Softbinator Technologies' capital, will remain in the Group's portfolio for sale. In addition, in December 2021 the Group also formally relinquished its position on the Board of Directors of Softbinator Technologies through Ivylon Management.

The Group has examined in the framework of the provisions of IAS 28, Article 6 a)-e), the criteria for exercising significant influence over entities in which there is an ownership, concluding the following:

- The Group no longer holds a position on the Board 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 information of a technical nature exchanged between the Group and Softbinator Technologies.

As such, the Group's Management has concluded that it no longer exerts nor intends to exert significant influence over Softbinator Technologies as of 30.09.2021. As such, the Group has decided to reclassify the remaining holding in Softbinator Technologies as at 30.09.2021 from equity securities to securities held at fair value.

As of 31.12.2021, the investment in Softbinator Technologies shares was revalued using the average trading price on the AeRO market as at 31.12.2021.

Safetech Innovations

The assessment at fair value

In October 2020, the Group's management invested in the private placement organised to increase the share capital of the cyber security company Safetech Innovations SA. The investment was made within the mandate that the executive management has according to the Articles of Association. During the placement, 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 other investment in the Group.

Following the oversubscription of Safetech's offer almost 9 times, Bittnet was informed by the Intermediary (SSIF Tradeville) that a number of 72,895 SAFE shares had been allocated to it, representing 2.3326% of Safetech's share capital, which made 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 trading symbol, at a price approximately 400% higher than that of the private placement.

On 31.12.2021, the investment in Safetech Innovations shares was revalued using the average trading price on the AeRO market on 30.09.2021.

During the first quarter of 2022, the Group liquidated the remaining position it still held in Safetech Innovations, so that at the end of the reporting period the Group no longer held any SAFE shares in its portfolio.

Arctic Stream

The assessment at fair value

In June 2021, the Group's management invested in the private placement organized before the listing of the shares of Arctic Stream (AST) on the AeRO-SMT market. Arctic Stream is an IT integrator focused on the technologies of the American manufacturer Cisco Systems, competitor of Dendrio Solutions in this market segment. The investment was made within the mandate that the executive management has according to the Articles of Incorporation and will be subject to the ratification of the shareholders in the General Meeting of Shareholders of September 7, 2021.

In the private placement, Bittnet subscribed the amount of Ron 10 million, the intention being to make a significant investment by entering the Arctic Stream shareholding in a relevant percentage. Following the early closing from the first day of the placement and the massive over-subscription, the tender intermediary informed Bittnet that it had been allocated 74,632 shares of AST, which represents 1.78% of the share capital and 1.78% of the voting rights. The value of the investment in Arctic Stream shares amounts to Ron 1,865,800.

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

As at 31.12.2021, the investment in Arctic Stream shares was revalued using the average trading price on the AeRO market as at 31.12.2021.

Chromosome Dynamics

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

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

Subsequently Chromosome Dynamics conducted a private placement of shares with a view to listing on the AeRO-SMT market of the Bucharest Stock Exchange closed early. In the quotation, a number of 111,929 CHRD shares were issued, with a total value of RON 3,357,870, at a price of RON 30. The quotation reached the threshold of success, being supplemented by another RON 882,870. The transaction date was 04.10.2021, the settlement taking place in 06.10.2021 via the Central Depository System. Following the private placement Bittnet Systems holds 1.22% of CHRD shares and voting rights.

Chromosome Dynamics develops solutions oriented to the needs of farmers for process technology. CHRD is the developer of the application AGROBAZAR APP, which models the process of consultancy-sale-purchase in agribusiness, representing a one stop shop for farmers in Romania. The application provides farmers with consultancy in agribusiness, agricultural machinery and inputs – seeds, pesticides, fertilizers with over 10,000 active users so far. Under the investment agreement, Bittnet Group will have first option to deliver technology projects alongside CHRD.

As of 31.12.2021, the investment in CHRD shares was revalued by reference to the price per share of the anticipated closed private placement.

The CHRD shares were admitted to trading on 05.05.2022 on the AeRO-SMT market of the BVB.

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

NOTE 19. INVENTORY

Details of stocks are presented in the following table:

	31 Dec 2022	31 Dec 2021
Materials	88,947	141,505
Goods	2,689,027	1,043,457
Total	2,777,973	1,184,962

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

NOTE 20. TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables and other receivables are presented in the following table:

	31 Dec 2022	31 Dec 2021
		corrected
Customer receivables	55,041,420	27,997,784
Adjustments for customer receivables	(413,256)	(146,675)
Contractual assets	446,206	896,235
Related party loans (Note 27)	-	261,304
Subsidies	791,144	34,456
Warranties	506,957	111,440
Other receivables	4,240,016	3,289,734
Total	**60,612,486**	**32,444,367**
Advances to suppliers	128,926	159,328
Prepaid expenses	1,456,194	963,829
Receivables from the state budget	925,951	500,953
Total, of which:	**63,123,557**	**34,068,477**
Fixed assets	2,426,167	2,041,467
Current assets	60,697,390	32,027,010

The 'Other receivables' position as at 31.12.2022, amounting to RON 4,240,016, mainly consists of: receivable Bluepoint IT Solutions sale of White Hat application worth RON 1,765,651; receivable related to Graphein sale of Autodesk business worth RON 1,489,211; interim dividends Q3 2022 minority shareholders IT Prepared RON 846,600 (2021: RON 3,907,661, mainly consists of: receivable related to Graphein sale of Autodesk business RON 2,226,654 (Note 9); receivable related to sale of GRX stake worth RON 359,976).

Statement of customers' net receivables per seniority:

	31 Dec 2022	31 Dec 2021
Not due	48,036,085	19,934,444
0-30	4,794,759	1,379,539
31-90	1,412,352	3,046,270
91-360	373,470	3,360,491
over 360	47,151	130,365
Total	**54,628,163**	**27,851,109**

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

Reconciliation of customer receivables adjustments:

	2022	2021
1 January	146,675	163,918
Adjustments during the period	275,672	24,327
Cancellation of receivables	-	-
Resume adjustments	(9,181)	(41,570)
31 December	413,256	146,675

Significant estimates

Impairment adjustments for trade and other receivables are recognized on the basis of the simplified approach in IFRS 9. In this process, the probability of non-payment of trade receivables is assessed, based on historical experience regarding the non-payment risk. The experience of the previous years has shown that the risk of non-collection is low, with no significant losses in recent years. However, management has estimated and recorded adjustments to the balance of receivables outstanding at the end of 2021 as follows: Bittnet – 1%; Dendrio – 0.5%; Elian – 1%; Equatorial Gaming – 0.5%; and IT Prepared – 0.5%. At the end of 2022, the management estimated and recorded adjustments to the balance of uncollected receivables, as follows: Bittnet – 0.5%; Dendrio – 0.5%; Elian – 5%; Equatorial Gaming – 10%; IT Prepared – 0.5%; Nenos Software 0.5%.

NOTE 21. CASH SI CASH EQUIVALENTS

Details on cash and cash equivalents are presented in the following table:

	31 Dec 2022	31 Dec 2021
Bank in RON	27,607,614	15,044,104
Bank in RON - collateral cash	2,202,968	2,447,440
Bank in foreign currency	12,419,200	5,891,775
Cash in Cash Register	70,582	19,878
Total	42,300,365	23,403,197

Collateral cash deposits represent restricted cash – guarantee in connection with loans contracted with Procredit Bank.

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

NOTE 22. CAPITAL AND RESERVES

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

	31 Dec 2022	31 Dec 2021
		corrected
Share capital	52,848,060	48,043,690
Issue premiums	9,738,583	14,542,953
Other equity items	(11,390,433)	(19,082,504)
Legal reserves	1,324,823	1,114,139
Reported result	6,508,677	(5,599,890)
Current comprehensive income	(5,358,890)	12,319,251
Total	**53,670,822**	**51,337,639**

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:

Shareholders and % held	31 Dec 2022	31 Dec 2021
Mihai Logofatu	10.85%	12.05%
Cristian Logofatu	10.14%	11.13%
Others	79.01%	76.82%
Total	**100%**	**100%**

Increase of share capital by reserves incorporation – July 2022

The share capital was increased by the amount of RON 4,804,369.10 lei by incorporating issuance premiums and issuing a number of shares free of charge for the benefit of the shareholders as of the record date (1 bonus share for every 10 shares held), pursuant to EGMS Resolution no. 2 of April 2022 and the additional opting procedure. Shareholders on the record date – 21 July 2022 – could opt online, between 29 July and 4 August, to leave these new shares at the Company's disposal for use in the incentive programmes for key persons approved in previous years by the GMS, in which case they would receive a cash distribution of RON 0.15 per 10 shares held on the record date.

During the option period the Issuer received a total of 234 options from 234 shareholders representing a total of 205,693,904 voting rights, i.e. 43.34% of the total voting rights of the Issuer. From the expressed options, 105 shareholders representing 175,297,189 voting rights, i.e. 36.93% of the total voting rights opted for OPTION 1 – ie for cash distribution and leaving the newly issued shares at the disposal of the company. The Company will distribute to these shareholders the amount of RON 2,629,453.80 starting from September 12, 2022, through the Central Depository system, with Banca Transilvania as paying agent.

The Central Depository has allotted, on 12.08.2022, the shares in Section 1 to the shareholders as of the record date who have opted other than for cash distribution or have not taken any option steps during the option period. At the same time, the Central Depository shall upload to the Issuer's account a number of 17,529,692 treasury shares.

Following this operation, the subscribed and paid-up share capital of Bittnet, registered in the records of the Commercial Registry, ASF and Central Depository, is RON 52,848,059.5, divided into 528,480,595 BNET shares, each with a nominal value of RON 0.1.

Increase of share capital by reserves incorporation – July 2021

The share capital was increased by incorporating the reserves and the share premiums according to the Decision No. 2 of the Decision 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 registration date – July 21, 2021. The operation was completed in July 2021 with the loading into the trading accounts of the shareholders 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 the shareholders from the registration date (1 free share to 10 owned), according to the Decision No. 3 of the General Meeting of Shareholders of April 2021 and the Decision of the Board of Directors dated July 6, 2021.

For the actions from point 2, the shareholders from the registration date – July 21, 2021 – could opt online, between July 26 and August 3, to leave these new shares at the disposal of the Company to be used in the incentive programs for key persons, approved by the GMS, in this case collecting a cash distribution equal to the nominal value of the newly issued shares.

During the opt-in period, the Issuer received 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. From the expressed options, 210 shareholders representing 162,611,497 voting rights, i.e. 65.77% of the total voting rights opted for OPTION 1 – ie 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 August 4, through the Central Depository system, having as payment agent Banca Transilvania.

On 10.09.2021, the Central Depository allocated the shares in Section 1 to the shareholders as of the record date who opted other than for cash distribution or did not take any action during the option period. At the same time, the Central Depository shall upload to the Issuer's account a number of 16,261,096 treasury shares.

In connection with the operations of increasing the share capital presented above, the Board of Directors (BD) issued a Decision on July 6, 2021 which established the keeping of the allocation report of 7 free shares to 10 held on the registration date according to the mandate granted by the General Meeting of Shareholders of April 27, 2021 by the EGMS Decisions no. 2 and 3. This decision was necessary given that at the date of the GMS, the coordinates of the capital increase with free shares were applied to the entire share capital registered at that time in the records of the Trade Register (ReCom) – RON 28,260,994.30, i.e. 282,609,943 shares – values resulting from the processing of the capital increase operations decided in August 2020 and December 2020 and registered at ReCom since the end of 2020.

In this respect, in order not to disadvantage any of the shareholders from the registration date (July 21, 2021), nor the creditors from the two capital increase operations, in order for them to receive the rights resulting from the holdings of BNET shares on the date of payment of the new shares, the Board of Directors decided, according to the mandate offered by the two EGMS Decisions, to keep the increase report established by EGMS, but applied for the number of shares registered with FSA and the Central Depository (247,228,275 shares). The Decision of the Board of Directors of July 6, 2021 was issued according to the mandate given to the Board of Directors of Shareholders in the EGMS of April 27, 2021.

Therefore, in the first phase, a number of 148,336,965 shares were issued (according to the Decision of the General Meeting of Shareholders No. 2/April 27, 2021) which were distributed to all the shareholders from the registration date, July 21, 2021, proportional to the holdings and to the decision of the EGMS (6 free shares to 10 held on the date of registration). The difference of 21,229,001 shares, up to a total of 169,565,966 shares, was allocated to the entitled persons by the Central Depository given that ASF issued the registration certificate.

The same principle was applied to the capital increase decided by the Extraordinary General Meeting of April 27, 2021, at point 3, noting that those creditors who are shareholders at the registration date, 21 July 2021, will be able to opt to leave the newly issued share at the disposal of the Company and receive in exchange its nominal value. As such, in the first phase, a number of 24,722,828 shares will be issued, proportional to the holdings of all shareholders from the registration date and according to the allocation report established by EGMS: 1 free share for each 10 shares, for which it was possible to opt for the cash distribution of the nominal value or for allotment in the Depositary. The difference of 3,538,167 shares, up to a total of 28,260,995 shares, resulting from the application of the increase ratio on the entire capital registered in the records of the Trade Register, was allocated to the entitled persons by the Central Depository in view of the fact that the ASF issued the registration certificate.

The ASF registered the transaction and the Central Depository processed it, the subscribed and paid-up share capital of the issuer registered in the records of the Trade Register, ASF and Central Depository being RON 48,043,690.40, divided 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 Decision 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 issue premium) was determined according to the EGMS Decision and the formula approved by it for the issue premium: [(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) Issue premiums

Issue 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 profit tax.

d) Other equity items

Essential reasoning – recognition and assessment of SOP

The Group assessed from an IFRS 2 perspective whether payment transactions based on shares with employees (SOPs) 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 Administrator's Decision.

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

The assessment 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 2019

By the Decision of the General Meeting of Shareholders No. 4 of 24 April 2019, the shareholders of the Company voted an incentive plan with options for key persons with a duration of 2 years, amounting to maximum 5% of the total shares of the Company. The maturity of the options was in May-June 2021, so that the key persons included in SOP2019 had the right (not the obligation) to purchase shares of the Issuer at the price related to the stock market capitalization on 31 December 2018.

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

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

SOP2020A & SOP2020B – "SOP2020"

By EGMS Decision 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 Decision 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.

Under this incentive plan, 24 key persons notified the Company of the purchase of a total number of 40,428,754 BNET shares pursuant to the option contracts entered into under the incentive plans "SOP2020A" and "SOP2020B" approved by the aforementioned AGEA resolutions, hereinafter cumulatively 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 as of 31.12.2019 for SOP2020A, i.e. the value of RON 113,000,000, namely the market capitalization as of 21.04.2020, for SOP2020B, i.e. the value of RON 101,445,399. Thus, the resulting strike price is RON 0.235203/share for SOP2020A and RON 0.211152/share for SOP2020B.

Considering that the amounts of money that should have been paid by the key persons to the company on account of the shares acquired under SOP2020 through the options' strike price could have been paid by various methods, one of these being the sale on the market of a portion representing the equivalent of approximately 65% of the shares subject to SOP2020, and this additional volume could have thrown off the balance between supply and demand, the Group's management has decided that the 24 key persons will be paid in shares the economic value of the options under the incentive programme, i.e. 26,020,845 shares. The economic value of the option is the difference between the market price and the purchase price in the SOP (strike price of the option), multiplied by the number of options. The total number of shares was calculated by dividing the economic value of the option by the price of RON 0.34 per share (the price approved by the GMS for the implementation of a buyback programme).

The allocation of shares representing the economic value of the option was made without the need for a cash consideration from the key persons. Thus, the 24 key persons were settled a total of 26,020,845 BNET shares, transferred by the Central Depository from the Issuer's treasury shares.

SOP 2021

By EGMS Decision 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 EGMS Decision no. 7 dated April 20, 2022, 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.

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

NOTE 23. BONDS

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

	31 Dec 2022	31 Dec 2021
BNET23	4,690,017	4,661,869
BNET23A	9,639,901	9,540,798
BNET23C	9,991,667	9,841,667
BNET26E	9,609,806	-
Accrued interest	872,768	872,768
Total, of which:	**34,804,159**	**24,917,101**
Long-term share	9,609,806	24,044,334
Short-term part (interest)	25,194,352	872,768

In 2016, 2017, 2018 and 2022, the Group carried out bond offerings maturing in 2019, 2022, 2023 and 2026, through which it obtained 'committed' financing of over RON 40 million from the capital market (all issues are listed on the 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.

NBET23 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 individuals, 1 legal entity and 3 open 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 decision of the Extraordinary General Meeting of Shareholders of 25 April 2018, BNET23 bonds entered into 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 investors individuals and one legal entity. 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 NBET23A 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 investment attracted was used to finance the working capital and the ongoing activities of the Bittnet Group. The BNET23C bonds were tradable on the AeRO market from 17.04.2019 until their redemption at maturity on 12.01.2023.

BNET26E

From 21 to 27 December 2022, the issuer conducted a offer for sale through private placement of a corporate bond issue, denominated in EUR, under which 20,596 bonds were subscribed by 53 individual, legal and professional investors. The amount raised in this bond round is EUR 1,961,144. The nominal value of the instrument is EUR 100/bond and the total amount of the issue is EUR 2,059,600. The annual coupon is 9% and will be paid quarterly via the T2S mechanism and to the Central Depository. Redemption of the nominal amount shall be done at 3.5 years and will take place on 30.06.2026. BNET26E bonds are traded on the BVB Reregulated Market, category dedicated to corporate bonds, starting 07.03.2023.

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

NOTE 24. BANK LOANS

Details regarding bank loans are presented in the following table:

	31 Dec 2022	31 Dec 2021
ProCredit credits TL (BNET & DEND)	1,795,128	4,400,494
ProCredit line 4.5 mil. (DEND)	4,500,000	4,449,384
BT credit investments (DEND)	9,621,839	-
BT line 1.6 mil. EUR (DEND)	4,620,807	-
ING line 2 mil. (DEND)	-	1,080,099
Raiffeisen IMM invest (EQG)	93,360	280,080
Raiffeisen IMM Invest (2NET)	1,822,660	-
BRD IMM Invest (TT)	2,711,107	-
Total, of which:	**25,164,901**	**10,210,058**
Long-term share	11,166,109	6,327,926
Short-term share	13,998,791	3,882,132

The group's bank lending structure is mainly made up of revolving overdrafts aimed at short-term financing of specific projects. On the date of this report, the Group has loans and overdrafts to finance current activity with ProCredit Bank, Banca Transilvania, ING Bank, Unicredit Bank, BRD and Raiffeisen as well as an investment loan contracted with Banca Transilvania. This product was signed for the financing of the two share acquisition transactions Top Tech SRL and 2Net Computer SRL.

The two companies recently acquired by the Group have at their disposal for the financing of their current activity bank credit lines contracted from BRD (TopTech) and Raiffeisen (2NET Computer) including through the governmental program IMM Invest.

ProCredit Bank

In February 2020, Bittnet Systems converted the loan product amounting to RON 2,790,000 also contracted with ProCredit Bank from a revolving overdraft into a loan with monthly repayments of principal and interest. The new maturity of the loan was set for a period of 36 months and the interest rate remained unchanged, ROBOR 3M + 2.5%.

Also, in December 2020, the Group informed shareholders about the signing by Dendrio Solutions of a bank loan agreement by with ProCredit Bank. The total amount of the facility is RON 5,000,000 and the purpose of the loan is to finance Dendrio Solutions' working capital and current activities. The maturity of the product is 36 months and the interest rate is ROBOR 3M + 3% per year. The collateral for this loan product was: cash collateral deposit for 10% of the facility amount.

On July 23, 2021, the Addendum for the extension of the credit line – revolving overdraft amounting to Ron 4.5 million – contracted by Dendrio Solutions from ProCredit Bank in July 2019 was signed. The extension was made for a period of 24 months and under the same conditions with the initial credit agreement. The interest rate remained ROBOR3M + 2.4% p.a., and the destination of the product is to finance the working capital and the current activity of Dendrio Solutions.

ING Bank

In November 2018, the Group concluded an overdraft revolving financing contract with ING Bank Amsterdam, Bucharest Branch worth 2,000,000 RON, with an interest rate of ROBOR1M+2.9% per year and a maturity of 1 year, with the possibility to extend it. The loan will be used to finance the working capital and current activity of Dendrio Solutions SRL. The facility is available to Dendrio Solutions for financing working capital and current activities.

In October 2019, the Group extended the overdraft granted by ING Bank NV Amsterdam - Bucharest Branch for a period of 12 months and under the same conditions as the initial agreement.

In January 2020, the Group extended the credit facility for an additional period of 7 months.

On August 16, 2021, was signed the addendum for the extension of the credit line – revolving overdraft in the amount of Ron 2 million – contracted by Dendrio Solutions from ING Bank in November 2018. The extension was made for a period of 12 months – until August 2022 – under the same conditions as the initial agreement. The interest rate remained ROBOR1M + 2.9% p.a.

In August 2022, the Group's management took the decision to close this loan product.

Banca Transilvania (BTRL)

On 06.09.2022 Dendrio Solutions contracted a credit product in the form of a ceiling – investment loan – from Banca Transilvania in the maximum amount of RON 11,000,000 financing 75% of the price of the transactions for the acquisition of shares of TopTech SRL and 2NET Computer SRL. The investment loan was contracted for a period of 7 years and the repayment method is monthly, by constant instalments. The annual interest rate is variable and consists of the 3-month ROBOR index plus the Bank's fixed margin of 2.50%. The collateral for this loan product are the chattel mortgage on the Dendrio Solutions accounts opened with Banca Transilvania, the chattel mortgage on the shares acquired in the two companies, the guarantee from Bittnet Systems as co-signer, the guarantee issued by the European Investment Fund. Dendrio Solutions has made 2 drawdowns from this ceiling, after signing the closing procedures with the selling shareholders of the two target companies, paying the consideration of the acquired shares. The 2 drawdowns amounted to RON 9,724,885.

On 20.10.2022, the issuer informed the investors about the signing of a credit agreement with Banca Transilvania ("BT"). The agreement is in the form of a ceiling/line of credit – revolving overdraft – in the amount of EUR 1.8 million and is intended to finance the working capital and current activities of Dendrio Solutions SRL. The maturity is of 12 months with the possibility of extension and the interest rate is EURIBOR 6M+2.15% per year. The guarantees constituted for this loan are: chattel mortgage on all the outstanding receivables of the borrower, mortgage on the bank accounts opened at Banca Transilvania and trust agreement on behalf of the majority shareholder, Bittnet Systems SA.

The drawdowns from the BT loan will provide the pre-financing component for Dendrio Solutions' current and future IT&C integration projects, thus strengthening the Group's bank financing structure. The Group's management has chosen to explore the opportunity to borrow in foreign currency in view of the evolution of monetary policy interest rates over the last year, which has led to an increase in interest rates on RON loans.

In December 2018, Dendrio Solutions SRL contracted a credit cap banking product from Banca Transilvania. The total value is RON 1,000,000, for a period of 15 months and allows quick access to the following facilities: corporate credit line; issuance ceiling for various types of non-cash GSB (bank guarantee letters, participation in tenders, letters for good execution, guarantee of payment to suppliers, refund of advance payment, etc.). Interest on this facility is composed of: ROBOR3M+3.8% and is calculated on the amount actually used.

Dendrio Solutions uses this banking product in order not to tie up its own cash resources in order to issue letters of guarantee and, where necessary, to release cash from guarantee instruments that required, in the past, the blocking of its own cash.

The company informed the investors, on 10.11.2021, about the extension of the credit agreement between Dendrio Solutions and Banca Transilvania, (contracted in December 2018) for the ceiling of issuing bank guarantee letters and at the same time the addition of the maximum limit of use up to RON 2,300,000, under the following conditions: the product of the corporate credit line type will have a validity of 24 months with the possibility of extension; the destination of the ceiling is for the issuance of all types of bank guarantees in the national currency (bank guarantee letters for the proper execution of contracts, for participation in bidding procedures, guaranteeing the payment of suppliers, refunding advances etc.) and the interest is ROBOR6M+5.6% per year applied to the used balance.

Guarantees provided: chattel mortgage on Dendrio Solutions accounts opened with Banca Transilvania and Bittnet Systems SA sole associate guarantee.

In November 2019, the Group signed a factoring agreement with Banca Transilvania for invoices discounting in the commercial relationship with a customer in the telecom industry. The contract has the following coordinates: Type of banking product: factoring cap without regression for the advance payment of receivables; Maximum financing cap: RON 3,000,000, Percentage coverage: 100% of the invoice value, Interest: 1.5%+ROBOR1M per year, calculated on the value of projects, Validity: 16 months with extension possibility.

Unicredit Bank

In February 2022, Elian Solutions extended the revolving-overdraft facility contracted from Unicredit Bank and increased the available ceiling up to RON 800,000. Maturity of the facility: 12 months with the possibility of extension; Interest rate: ROBOR3M+3% p.a.; Structure of the guarantee: movable mortgage on the current accounts opened at Unicredit Bank, general assignment of receivables, Letter of corporate guarantee issued by Bittnet Systems SA.

Raiffeisen Bank

In August 2020, Equatorial Gaming contracted a credit facility from Raiffeisen Bank through the IMM Invest governmental program amounting in total to RON 495,000. The loan interest is ROBOR3M+2.5% per year and the maturity is 36 months.

In November 2022, the additional act of extending the credit facility that 2Net Computer had contracted from Raiffeisen Bank was signed. The new deadline is 18.10.2023. The extension was carried out under the same conditions as the initial agreement, the only change being the exclusion from the guarantee structure as surety guarantor of the former 2Net shareholder. The value of the facility is 2,500,000 lei and is intended to finance the working capital and current activity of the borrower.

Apart from this contract, 2NET has signed with Raiffeisen Bank two other credit contracts each worth RON 1,000,000 with maturities on 10.10.2023 and 20.05.2023, respectively.

BRD

In April 2022, an addendum was signed, extending by 12 months the maturity of the Top Tech ceiling contracted from BRD. The facility is worth RON 1,500,000.

On 26.04.2022, a new credit agreement was signed between Top Tech and BRD through which the bank made available to the borrower a ceiling in the total amount of RON 3,000,000. The new ceiling deadline is 07.04.2025.

In addition to the 2 loan products, Top Tech also has at its disposal a revolving ceiling loan of RON 2.000.000 maturing on 09.06.2023.

All of Top Tech's loan products are contracted from BRD and are used for working capital financing.

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

NOTE 25. LEASING LIABILITIES

The group has concluded long-term operational leasing contracts for technical equipment with final terms in 2023-2026.

	31 Dec 2022	31 Dec 2021
Short-term share	4,693,525	540,786
Long-term share	19,290,728	676,929
Total	**23,894,253**	**1,217,715**

Reconciliation of leasing liabilities and usage rights recognized as a result of the application of IFRS 16 is presented in the following tables:

Leasing liabilities	Spaces	Equipment	Cars	Total
On 01 January 2021	**3,084,763**	**1,082,963**	**270,459**	**4,438,185**
Inputs	-	312,496	215,579	528,075
Outputs	(2,828,567)	-	-	-2,828,566
Interest and exchange rate differences	95,210	138,288	107,889	341,387
Leasing payments	(351,406)	(653,212)	(256,747)	(1,261,365)
On 31 December 2021	**-**	**880,535**	**337,180**	**1,217,715**
Inputs	20,463,780	3,238,112	1,296,240	24,998,133
Outputs	-	-	-	-
Interest and exchange rate differences	625,575	96,564	2,669	724,899
Leasing payments	(2,155,060)	(712,893)	(79,541)	(2,956,494)
On 31 December 2022	**18,934,297**	**3,493,409**	**1,556,549**	**23,984,253**

Rights of use	Spaces	Equipment	Cars	Total
On 01 January 2021	**2,704,319**	**871,188**	**427,571**	**4,003,078**
Inputs	-	257,962	149,377	407,339
Outputs	(2,389,863)	-	-	(2,389,863)
Amortization	(314,456)	(432,158)	(160,581)	(907,195)
On 31 December 2021	**-**	**696,991**	**416,367**	**1,113,358**
Inputs	20,463,781	3,374,844	1,086,446	24,925,071
Outputs		0	(3,973)	(3,973)
Amortization	(1,910,046)	(1,289,904)	(268,974)	(3,468,924)
On 31 December 2022	**18,553,735**	**2,781,932**	**1,229,867**	**22,565,534**

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

NOTE 26. TRADE LIABILITIES AND OTHER LIABILITIES

Trade and other liabilities are detailed in the following table:

	31 Dec 2022	31 Dec 2021
Suppliers	58,599,686	23,773,616
Employed debts	2,032,048	630,887
Other liabilities	319,257	1,041,662
Debts for the purchase of shares	11,160,871	11,781,611
Provisions	127,001	127,001
Total financial liabilities	**72,238,862**	**37,354,776**
Advances to customers	1,404,086	1,027,567
VAT	2,740,087	1,650,290
Other budget liabilities	1,281,186	569,100
Prepaid income	699,210	1,359,490
Total, of which:	**78,363,431**	**41,961,224**
Long-term debt (purchase of equity interests)	0	624,136
Current debts	78,363,431	41,337,088

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

NOTE 27. 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:

	2022	2021
Management contracts	917,395	715,116
SOP expenditure	275,967	553,977
Total	1,193,362	1,269,093

On December 31, 2022, the debts related to the management contracts amount to RON 87,093 (December 31, 2021: RON 62,093).

Receivables and loans	31 Dec 2022	31 Dec 2021
E-Learning Company – loan	-	240,000
E-Learning Company – interest	-	21,304
Total	-	261,304

The loan to The E-Learning Company was granted to finance the working capital for a maximum period of 3 years and with an interest rate of 10% per year. The loan was repaid in full (principal + interest) in May 2022.

NOTE 28. CONTINGENT LIABILITIES

a) Protection of personal data

In the course of its work, the Group collects, stores and uses data that is protected by personal data protection laws. Although the Group takes precautions to protect customer data, in line with legal privacy requirements, there may be data leaks in the future. In addition, the Group works with suppliers or third parties acting as trading partners who may not fully comply with the relevant contractual terms and all data protection obligations imposed on them.

Unanticipated IT issues, system deficiencies, unauthorized access to the Group's IT networks or other deficiencies may result in the inability to maintain and protect customer data in accordance with applicable regulations and requirements and may affect the quality of the Group's services, as well as compromise the confidentiality of its customer data or cause service disruptions, resulting in the imposition of fines and other penalties.

Also, with the entry into force of the General Data Protection Regulation (EU) 2016/679 (GDPR), on 25 May 2018, the Group is subject to its personal data processing requirements, whose non-compliance may entail several types of sanctions, including fines of up to 4% of the overall turnover or up to 20 million EUR (whichever is higher); in addition, if they have suffered damage, data subjects may obtain compensation covering the amount of such damage and their rights may also be represented by collective bodies.

b) Risk associated with changing legislation and taxation in Romania

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 Group'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. In order to minimize this risk, the Group regularly reviews changes to these regulations and their interpretations.

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. The Group considers that it has paid all its fees, taxes, penalties and penalty interest on time and in full, as far as appropriate. In Romania, the fiscal year remains open for verification for 5 years.

c) Transfer price

In accordance with the relevant tax legislation, the tax assessment of a transaction with affiliated parties is based on the market price concept related to that transaction and the arm's length principle. Based on this concept, transfer prices must be adjusted to reflect market prices that would have been established between entities between which there is no affiliation relationship and which act independently, based on „normal market conditions”.

The taxpayers conducting related party transactions are responsible to prepare transfer pricing documentation, which must be submitted at the request of the tax authorities during the tax inspection. Thus, it is likely that the transfer pricing checks will be carried out in the future by the tax authorities, in order to determine whether the respective prices comply with the "normal market conditions" principle and that the Romanian taxpayer's taxable base is not distorted.

d) Disputes

In the context of day-to-day operations, the Group is at risk of litigation, inter alia, as a result of changes and the legislation development. In addition, the Group may be affected by other contractual claims, complaints and disputes, including from counterparties with which has contractual relations, customers, competitors or regulatory authorities, as well as by any negative advertising it attracts. The Group management considers that these disputes will not have a significant impact on the Group's operations and financial position.

File 30598/3/2021 – litigation Bucharest Mall Development and Management

Throughout 2021, the Group became aware of the existence of file 30598/3/2021 pending at Bucharest Court, in contradiction with the owner of the former office space - Bucharest Mall Development and Management S.R.L. ("Anchor" or the "Owner").

In February 2022, the Group (or the "Tenant") took note of the content of this file and the value of the claims, as follows:

i) RON 267,214.96 representing rent, tax on services and utilities;

ii) RON 100,109.95 representing late payment penalties related to the principal amount; and

iii) RON 3,632,709.91 representing compensatory damages (criminal clause).

Taking into account the approval given by the GMS in September 2021 regarding the expansion of office space and classrooms, in order to accommodate the team that will result from the M&A operations already carried out, plus those that have been approved to be carried out in the next 3 years, the Group exercised, pursuant to Article 4.1 of the Contract, the option to expand the Space with an additional area of 3,500 square meters of office space, unfragmented and on the same floor as the existing Space "inside the Building or in another building owned by the Owner or another company in its group (benefiting from similar commercial and technical conditions – i.e. to be a class A office building and to be located within walking distance of a metro station)", based on the notification sent to the Owner on 10.12.2020.

According to the contractual provisions mentioned above "The Tenant will notify the Owner of the need/intention to expand the office Space, if necessary, 4 (four) calendar months before May 2021". Through the response communicated by email on 12.01.2021, the Owner informed the Group about the following:

i) does not have a free area for rent of the requested size, but a reduced area, namely 2,563.14 sqm of which only the area of 1,495.61 sqm has a certain availability, the difference of 1,067.53 sqm having an uncertain situation, namely its availability is conditional on the relinquishment (unlikely, as it follows from the communicated response) of its use by another tenant;

ii) the availability of the space differs, there being a gap of 3 months between the space available on the same floor (in area of 1,495.61 sq m) and that located on a different floor (1,067.53 sq m); and

iii) the proposed area is offered under different commercial and/or technical conditions than those on the basis of which the use of the existing space was agreed (i.e. different duration, the need to bear some refurbishment costs, etc.).

On 18.01.2021, the Owner sent to the Group the Notification regarding the technical and commercial proposal for the expansion of the space, in accordance with the information previously communicated by email sent on 12.01.2021. Consequently, the conditions for the unilateral termination of the contract, as notified by the Group on 01.27.2021, have been met.

In the correspondence between the parties prior to the formulation of the summons request, Anchor contested the unilateral notice of termination of the Group, and considering the Contract as being in force, continued to issue invoices after the termination of the Contract by unilateral termination. The Group has maintained and confirmed its position by refusing to pay invoices issued after the termination date in the absence of a contractual relationship.

Through the Notification dated April 23, 2021, the Group requested Anchor to deduct the remaining rent payments until the date of termination of the contract as a result of the unilateral denunciation by the Renter (i.e. the remaining rent payments for the months of March - May 2021) with the Guarantee provided by the Tenant according to Annex 5 to the Contract, as it was increased by Additional Act no. 2/14.01.2019 to Bank Guarantee Letter no. 246/12.06.2017.

On August 4, 2021, the Anchor sent its own notice of termination of the Contract citing the fault of the Tenant for non-payment of invoices, at the same time requesting compensatory damages according to the penal clause. Also, on 1.09.2021, Anchor executed the Guarantee provided by the Renter according to Annex 5 to the Contract.

On 23.09.2021 the Group notified the Owner regarding the fact that the Notice of Termination sent on 04.08.2021 is without object, considering that the respective Contract was already terminated as a result of the Notice of Unilateral Denunciation sent by the Group on 27.01.2021 , and Bittnet's unilateral manifestation of will, unequivocal and firm in the sense of denunciation, is sufficient to produce effects and operates legally and irrevocably from the date of its communication.

Therefore, the court will have to clarify the date and manner of termination of the Contract, respectively either on May 27, 2021 based on the unilateral denunciation by the Tenant, or on August 4, 2021 based on the termination invoked by the Owner, following that the material claims that are the subject of this action to be resolved according to the court's ruling in this regard.

At the first term of the trial on 10.06.2022, the court asked the plaintiff to indicate the amount of the annual rent owed under the rental contract and the method of calculating it, the corresponding documents, with the mention of proving the payment of the court fee of stamp, calculated at this value, until the next court term of 14.10.2022, under penalty of cancellation. The plaintiff requested the re-examination of the stamp duty, a request that was rejected. The plaintiff paid the stamp duty in full.

By the conclusion of the session dated 24.10.2022, the court extended the ruling on the testimonial evidence after submitting the answers to the interrogation and an accounting expert was appointed in order to draw up the expert report with the following objectives, agreed to by the defendant:

1. The amount of Rent and Penalties owed by the Defendant outstanding on the date of the filing of the summons referred to 27.05.2021 as the date of termination of the contract.

2. The Amount of Rent and Penalties owed by the Defendant outstanding on the date of the filing of the summons, reported on 24.08.2021 as the date of termination of the contract.

3. The separate value of the costs of utilities and services for the period March-May 2021 and of the penalties related to 27.05.2021 as the date of termination of the contract.

4. The separate value of the costs of utilities and services for the period June-August 2021 relative to 24.08.2021 as the date of termination of the contract.

5. The correctness of the method of calculation of the sums requested for payment through the summons request, respectively the sums of 267,214.96 lei, representing rent, service tax and utility costs, 100,109.95 lei representing late penalties and 3,632,709, 91 lei, representing compensatory damages, according to the plaintiff's request.

The parties responded to the questioning and by the conclusion of the session dated January 27, 2023, the court approved the testimonial evidence with 2 witnesses who were heard in the session of 03.10.2023. Until the deadline of 10.03.2023, the appointed expert did not submit the expert report and requested a postponement without specifying a deadline for its completion.

Due to the lack of the expert report, the court granted a new deadline of 21.04.2023. At this moment, the case is still in the judicial investigation phase, the evidence being approved and partly administered. Considering the current stage of the procedure at the date of this report (March 2023) and the complexity of the evidence (submissions, interrogatories, testimonial evidence and expertise), the Group's Management considers any evaluation of the chances or the procedures, in the sense of establishing provisions that affect the results, to be premature the year 2022.

e) Environmental aspects

The implementation of environmental regulations in Romania is in the development phase and the application procedures are reconsidered by the authorities. Bittnet's professional activity has no impact on the environment. Acting in the field of 'services', our activity consists of acquiring knowledge and transferring it to customers, either during training courses or through consultancy, design and implementation services.

NOTE 29. SIGNIFICANT ACCOUNTINGPOLICIES

The main accounting policies adopted when drawing up the consolidated financial statements are presented below.

a) Grounds for consolidation

If the Group has control over an investee company, it is classified as a subsidiary. The group controls the investee company if all three of the following elements are present: it has control over the investee company, there is exposure to variable returns from the investee company and the investee company has the ability to use its power to affect those variable returns. Control is reviewed whenever facts and circumstances indicate that there may be a change in any control elements.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they were a single entity. Transactions between companies and balances between group companies are therefore eliminated in their entirety. The consolidated financial statements include the results of the business combination by purchase 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 purchased transactions shall be included in the consolidated statement of comprehensive income as of the control acquisition date. Subsidiaries shall be deconsolidated from the date on which control ceases.

b) Non-controlling interests

Non-controlling interests are disclosed in the consolidated financial position statement, within equity, separately from the shareholders' equity of the Parent Company. Changes in a parent's shareholding in the equity of a subsidiary that do not result in the loss of control by the parent over the subsidiary are equity transactions (i.e. transactions with shareholders in their capacity as shareholders).

c) Associated entities

If the Group has the power to participate in (but not control) the financial and operational policy decisions of another entity, it is classified as an associate entity.

Associated entities are initially recognized in the statement of consolidated financial position at cost. Subsequently, the associates are accounted for using the equity method, in which the Group's share of post-acquisition profits and losses and other comprehensive income is recognized in the consolidated profit and loss statement and other comprehensive results (except for losses exceeding the Group's investments in the associate entity, unless there is an obligation to offset those losses).

Profits and losses arising from transactions between the Group and its associates are recognized only to the extent of the interests of unrelated investors within the associate. The investor's share in the shareholder's profits and losses arising from these transactions is eliminated in relation to the carrying amount of the associate.

Any surplus paid to an associate above the fair value of the group's participation in identifiable contingent assets, liabilities and liabilities shall be capitalized and included in the carrying amount of the associated entity. Where there is objective evidence that the investment in an associate is not recoverable, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

d) Goodwill

Goodwill represents the excess cost of a business combination over the Group's interest in the fair value of acquired and assets, liabilities and identifiable contingent liabilities.

The cost comprises the fair value of the assets given, liabilities assumed and capital instruments issued, plus the value of any minority shareholdings in the acquirer.

The contingent consideration shall be included in the cost at fair value at the acquisition date and, in the case of contingent consideration, classified as a financial liability, subsequently revalued at profit or loss.

Goodwill is capitalized as an intangible asset and any impairment of net asset value is recorded in the consolidated statement of comprehensive income.

Where the fair value of identifiable contingent assets, liabilities and liabilities exceeds the fair value of the paid consideration, the excess shall be credited in full to the consolidated statement of comprehensive income at the acquisition date.

e) Revenue recognition

The Group recognizes revenues so that they can reflect the obligations to be performed in relation to the transfer of promised goods or services to customers with an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Obligations to be fulfilled and revenue recognition methodology

Most of the group's revenues come from the provision of IT services and training and integration, including the sale of goods, with revenues recognized at the time when control over the goods was transferred to the customer.

The performance obligations identified in Group's contracts are generally limited to the goods or services explicitly stipulated in that contract, without any tacit promises as a result of usual business practices, published policies or other specific statements.

Determination of transaction price

Most of the income of the group is obtained from fixed price contracts and therefore the income amount to be obtained from each contract is determined by reference to fixed prices. In the estimation of contractual revenues, the component related to discounts granted to customers is deducted, when they are likely to decrease the value of the revenues.

Allocation of amounts to be executed

For most contracts, there is a fixed unit price for each product or service sold. Therefore, there are no reasoning applied in allocating the contract price for each product or service.

Costs for obtaining contracts

Most contracts are short-term, so any incremental commissions paid to sales personnel for the work performed to obtain the contracts are directly recognized in the comprehensive income statement, without being capitalized.

f) Impairment of non-financial assets (excluding inventories, real estate investments and deferred taxes)

Impairment tests on goodwill and other intangible assets with undetermined useful economic life shall be carried out annually at the end of the financial year. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount cannot be recovered. If the carrying amount of an asset exceeds its recoverable amount (i.e. higher value of use and fair value less selling costs), the asset is reduced accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is performed on the smallest group of assets to which it belongs, for which there are separately identifiable cash flows - its cash-generating units. Goodwill is allocated to the initial recognition of each of the Group's cash-generating units that are expected to benefit from a business combination giving rise to goodwill.

Impairment adjustments are included in profit or loss unless they represent reversals of gains previously recognized in other comprehensive income. A recognized impairment loss on goodwill is not reversed.

g) Balances and transactions in foreign currency

Transactions carried out by Group entities in other currency than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates at the time of the transactions. Monetary assets and liabilities in foreign currency are converted at the rates at the reporting date.

Exchange rate differences arising on the restatement of monetary assets and liabilities shall be recognized immediately in profit or loss.

h) Financial assets

The Group's accounting policy for the classification of financial assets is as follows.

Amortized cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments and not listed on an active market. They are included in current assets, except those with a maturity of more than 12 months after the end of the reporting period. These are classified as non-current assets.

These assets come mainly from the provision of goods and services to customers (e.g. trade receivables), but also include other types of financial assets where the objective is to hold these assets to collect contractual cash flows and contractual cash flows are exclusively principal and interest payments. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently accounted for at amortized cost using the effective interest rate method, less adjustments for impairment.

Impairment adjustments for trade and other receivables are recognized on the basis of the simplified approach in IFRS 9, using an adjustment matrix in determining expected losses. The likelihood of non-payment of trade receivables is assessed in this process. This probability is then multiplied by the amount of expected loss resulting from non-payment to determine the expected credit loss for trade receivables. For trade receivables, these adjustments are recorded in a separate adjustment account, the loss being recognized within the general and administrative costs in the comprehensive income consolidated statement. Upon confirmation that the trade receivable cannot be collected, the gross carrying amount of the asset is written off against the associated adjustments.

Claims impairment adjustments with related parties and loans to related parties are recognized on the basis of an anticipated credit loss model. The methodology used to determine the amount of the adjustments is based on the existence of a significant increase in credit risk since the initial recognition of the financial asset.

For those for which the credit risk has not increased significantly since the initial recognition of the financial asset, credit losses expected for twelve months together with gross interest income are recognized. For those for which credit risk has increased significantly, estimated losses on receivables together with gross interest income are recognized. For those that are determined as obvious credit impairments, expected losses on receivables, together with interest income on a net basis, are recognized.

The Group's financial assets measured at amortized cost comprise trade receivables and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents include cash in hand, term deposits with banks, other extremely liquid short-term investments with initial maturities of three months or less, and - for the purpose of cash flow statement - bank overdrafts. Banking disclosures are presented in loans and loans in current liabilities in the consolidated statement of financial position.

Financial assets at fair value

The Group holds financial assets in the nature of equity securities, which are recognised in the financial statements at fair value, with changes in fair value recognised in the consolidated statement of comprehensive income.

i) Financial liabilities

The Group's accounting policy for the classification of financial liabilities is as follows:

Bank loans and loans from the Group's reimbursable bond issue are initially recognized at fair value, net of any transaction costs directly attributable to the issuance of the instrument. Interest-bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense in the repayment period is at a constant rate on the balance of the liability recorded in the consolidated financial position statement.

Loans are classified as current liabilities unless the Group has an unconditional right to defer payment of the debt for a minimum of 12 months from the end of the reporting period.

For each financial liability, interest expenses shall include the initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable over time.

The Group does not hold derivative liabilities to be accounted for in the consolidated financial statement at fair value, with changes in fair value recognized in the consolidated statement of comprehensive income and has no trading obligations nor has it designated financial liabilities as at fair value through profit or loss.

j) Share-based payments (SOP)

The Group grants options for purchasing shares settled from equity to employees and collaborators.

The fair value of options at the date of granting shall be systematically recorded in the consolidated statement of comprehensive income for the period up to the exercise of the option. Non-market-based conditions of entry shall be taken into account by adjusting the number of equity instruments expected to be recorded at each reporting date so that ultimately the cumulative amount recognized in the vesting period is based on the number of options that may be paid. The conditions of non-qualification and the conditions of entry into rights are included in the fair value of the granted options. Cumulative expenditure shall not be adjusted for failure to fulfil a condition of entitlement or where a condition of non-qualification is not fulfilled.

k) Leasing

From 1 January 2019, IFRS 16 replaced IAS 17 Leases and related interpretations. The standard eliminated the accounting model for tenants and instead requires companies to bring most leases on the balance sheet within a single model, eliminating the distinction between operational and financial leasing.

In accordance with IFRS 16, a contract is or contains leasing if it conveys the right to control the use of an identified asset for a period of time in exchange for a mandatory payment. For such contracts, the new model requires a lessee to recognize a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the debt accrues interest. This will result in a model with higher payments at the beginning of the lease period of the expenses for most leases, even when the lessee pays constant annual rents.

The new standard introduces a number of exceptions to the scope for users which include:

- leases with a lease term of 12 months or less and which do not contain purchase options, and
- leases where the underlying asset has a low value ('low value' leasing transactions).

The Group has analyzed all leasing contracts for the rental of equipment and premises where operates.

Transition method and Practical Exceptions used

The Group adopted IFRS 16 using the amended retrospective approach, recognizing transitional adjustments at the date of initial application (1 January 2019) without restating comparative figures. The Group has chosen to apply the practical exception not to reassess whether it is a contract or contains a lease at the date of initial application. Contracts concluded prior to the transition date that were not identified as leases under IAS 17 and IFRIC 4 have not been restated. The definition of a lease in accordance with IFRS 16 only applied to contracts concluded or amended on or after 1 January 2019.

IFRS 16 provides for certain optional practical exceptions, including those related to the initial adoption of the standard. The Group applied the following practical exceptions when applying IFRS 16 to leases previously classified as operating leases in accordance with IAS 17:

(a) applied a single discount rate to a rental portfolio with reasonably similar characteristics;

(b) excluded initial direct costs from the valuation of right-of-use assets at the date of initial application, where the right of use of the asset was determined as if IFRS 16 had been applied from the commencement date;

(c) it was based on previous assessments regarding whether the leases are onerous compared to the preparation of an impairment review in accordance with IAS 36 at the date of the initial application; and

(d) applied the exemption of not recognizing the rights of use of the assets and liabilities for leases with less than 12 months of lease remaining at the date of the initial application.

As a user, the Group has previously classified leasing as operational or financial leasing based on its assessment of whether the leasing contract has transferred substantially all the risks and benefits of ownership. In accordance with IFRS 16, the Group recognizes leasing assets and liabilities by right for most of the leasing. However, the Group has chosen not to recognize leasing assets and liabilities for some low-value asset leases based on the new value of the underlying asset for short-term rental with a lease term of 12 months or less.

When adopting IFRS 16, the Group recognized the rights to use of the leasing assets and liabilities as follows:

Classified according to IAS 17	Rights of use	Leasing liabilities
Operational leasing	Assets from rights of use are measured at an amount equal to the leasing debt, adjusted by the value of any amounts paid in advance or pre-empted.	Measured at the current value of the remaining lease payments, discounted using the Incremental Loan Rate of the Company as of January 1, 2019. The Incremental Loan Rate of the Company is the rate at which a loan could be obtained from an independent donor on comparable terms and conditions. The average rate applied was 5% p.a.
Financial leasing	Measured on the basis of accounting values for leasing assets and liabilities immediately before the date of initial application (carrying amounts, unadjusted).	

l) External purchased intangible assets

Intangible assets acquired externally are recognized initially at cost and subsequently amortized linearly over the useful economic life: Licenses – 3-5 years, except for brands that are tested annually for impairment.

m) Tangible fixed assets

Tangible assets comprise premises, equipment, machines furnishing and other assets used for the current activity. Tangible assets are initially recognized at acquisition cost.

The acquisition cost includes the directly attributable costs and the estimated present value of any unavoidable and future costs of dismantling and disposing those items. The corresponding obligation is recognized in the provisions.

The depreciation of other tangible assets shall be calculated on the basis of the linear method with a view to allocating their cost less the residual value, over their useful life, as follows: Premises - for the duration of the lease contract, Other fixed assets - 2-5 years.

n) Inventory

Inventories are recognized initially at cost and subsequently at the lowest cost and net realizable value. The cost comprises all acquisition costs, conversion costs and other costs incurred in bringing the inventories to their current location and condition. Specific identification is used to determine the cost of interchangeable items.

o) Provisions

Provisions are recognized when the Group has a legal or implicit obligation as a result of the previous events, when the settlement of the obligation requires a resource outflow incorporating economic benefits and for which a credible estimate of the value of the obligation can be made. Where there are a number of similar obligations, the likelihood that a resource outflow will be required for settlement is established following the assessment of the liability class as a whole. The provision is recognized even if the likelihood of a resource outflow related to any item included in any class of obligations is low. Where the Company expects repayment of a provision, for example through an insurance contract, repayment is recognized as a separate asset, but only when repayment is theoretically certain.

Provisions are valued at the present value of the expenses estimated to be necessary to settle the obligation, using a pre-tax rate reflecting current market assessments of the time value of the money and the risks specific to the obligation. The increase in the provision due to the time passing is recognized as interest expense.

p) Employee benefits

In the normal course of business, the Group makes payments to the Romanian State on behalf of its employees for health, pension and unemployment funds. All employees of the Company are members of the Romanian state pension plan, which is a fixed contribution plan. These costs are recognized in the profit and loss account with the recognition of salary expenses.

q) Current and deferred profit tax

Tax expense for the period includes current and deferred tax and is recognized in profit or loss, unless it is recognized in other comprehensive income or direct equity because it relates to transactions that are themselves recognized in the same period or in another period, in other comprehensive income or direct equity.

Current income tax expense is calculated based on the tax regulations in force at the end of the reporting period. The management periodically assesses the positions in the tax returns in relation to situations where the applicable tax regulations are interpretable and constitute provisions, where applicable, based on the amounts estimated to be due to the tax authorities.

Deferred income tax is recognized, based on the method of the balance sheet obligation, for temporary differences between the tax bases of assets and liabilities and their accounting values in the financial statements. However, deferred income tax resulting from the initial recognition of an asset or liability in a transaction, other than a business combination, which at the transaction date does not affect the accounting profit or the taxable profit, is not recognized. Deferred corporate tax is determined on the basis of the tax rates (and legal regulations) in force until the end of the reporting period and are to be applied during the period in which the deferred tax to be recovered will be capitalized or the deferred tax will be paid.

Deferred tax to be recovered is recognized only to the extent that a taxable profit is likely to be derived in the future from which temporary differences are deducted.

IFRIC 23 provides guidance on the accounting of current and deferred liabilities and taxes and assets under circumstances where there is uncertainty about corporate tax treatments. The interpretation provides as follows:

- It must be determined whether uncertain tax treatments should be considered separately, or together as a group, depending on the approach that provides better predictions about resolution;

- Determine whether tax authorities are likely to accept uncertain tax treatment; and
- If uncertain tax treatment is unlikely to be accepted, the tax uncertainty will be measured according to the most likely amount or expected value, depending on any method that better predicts the resolution of the uncertainty. The measurement should be based on the assumption that each of the tax authorities will examine the amounts they are entitled to examine and have full knowledge of all the information related to these examinations.

Following the application of the provisions of IFRIC 23, no impact on corporate tax liabilities was identified.

NOTE 30. THE RUSSIA – UKRAINE CONFLICT

I. The Russia-Ukraine conflict

The invasion of Ukraine by the Russian Federation and the subsequent global response to these military actions could have a significant impact on some companies, especially companies with physical operations on the territory of Ukraine, Russia and Belarus, but also entities with indirect interests (e.g. those that have suppliers and customers, investments and creditors, with operations on the territory of these countries). Sanctions imposed on the Russian government, Russian entities and Russian individuals in many jurisdictions could also affect companies, such as through loss of access to financial resources and trade, but also through the collateral effects of sanctions on global prices (e.g. oil, natural gas and other oil products). The effects of conflict are widespread and rapidly evolving. Companies that do not have operations in Russia and Ukraine may continue to be affected by the conflict, with effects including, but not limited to:

- Destruction, confiscation or abandonment of tangible and intangible property;
- Sanctions imposed on a company that may impact its ability to operate (eg access to funds, banking systems, etc.);
- Sanctions imposed on a company's customers, which may impact its ability to sell goods and services and collect debts;
- Sanctions imposed on a company's suppliers, which may impact its ability to obtain raw materials, goods and services, or which may indirectly increase the costs of obtaining these elements from alternative sources;
- Sanctions imposed on creditors and/or banks of an entity, which may limit its ability to access funds and credits;
- Changes in the approach to clients and consumers regarding companies with ties to Russia, Belarus or other jurisdictions related to the Russian Federation, which could reduce demand for the products of those companies;
- Changes in risk appetite that can lead to the situation where creditors and investors withdraw their financial support for companies with ties to Russia, resulting in an increased liquidity risk and/or doubts regarding the continuity of the respective companies' activity;
- Volatility in the prices of financial instruments and commodities, including oil, natural gas, other oil derivatives and minerals, as well as volatility in foreign exchange rates.

Based on the information available up to now, the Group's Management has not identified concrete potential risks related to the Russia-Ukraine conflict and thus, at this moment, it does not expect a significant impact in terms of the current operations. The direct exposure of the Group to third parties affected by the sanctions imposed since the beginning of the conflict (customers, suppliers, banking institutions with which the Group collaborates, which have been directly affected by the sanctions) does not exist. The indirect exposure (customers, suppliers with whom the Group collaborates, with ties to third parties affected by sanctions, as well as risks related to the future volatility of commodity prices or exchange rates) is currently unquantifiable, the Group's Management not having received any sign up to this point regarding any significant impact on the Group's activity.

NOTE 31. SUBSEQUENT EVENTS TO THE BALANCE SHEET DATE

I. Capital increase operation with new cash contributions and receivables resulting from M&A transactions | January – March 2023

On 16.01.2023, the issuer notified the capital market about the approval of the Capital Increase Prospectus composed of separate documents and of ASF Decision no. 16/12.01.2023 approving the document and the operation. The increase operation was decided by the Board of Directors on 16.09.2022, in accordance with Decision no. 12 of the Extraordinary General Meeting of Shareholders of 27.04.2021 and was aimed at issuing 105,696,119 ordinary shares offered for subscription at a price of RON 0.31 per share. The capital increase was made on the basis of pre-emptive rights, and 5 BNETR16 pre-emptive rights were required to buy one new share at a price of RON 0.31 during the public offer period.

The pre-emptive rights were assigned to the shareholders from the registration date 13.10.2022 in a ratio of 1:1 with the holding of BNET shares from the registration date. According to the increase Prospectus, the BNETR16 pre-emptive rights were traded over a period of 5 working days between: 18.01.2023 – 25.01.2023.

After the trading period of the BNETR16 pre-emptive rights, the rights holders could buy the new shares, issued by the Company, at the offer price: RON 0.31 per share, proportional to the number of rights held, for 31 days, respectively in the time frame: 30.01.2023 – 01.03.2023 (Stage 1 of the increase). During Stage 1, a number of 304,126,505 BNETR16 pre-emptive rights related to a total number of 60,825,301 subscribed shares were exercised, which represents 57.54% of the entire issue of new shares. The value of the cash contributions that the Company attracted during Stage 1 (public offer) amounts to RON 18,855,843.31.

The shares left unsubscribed after Stage 1 were offered for sale to investors in a private placement, between 03.06.2023 – 03.10.2023, brokered by SSIF Goldring SA (Stage 2 of the increase), according to the provisions of the capital market legislation. During this stage, 35,193,399 new shares were subscribed, the equivalent of new cash contributions of RON 10,909,953.67.

In the two stages of this capital increase operation, a total of 96,018,700 new shares were subscribed, through new cash contributions, representing 90.84% of the entire volume of the offer. As a result of this operation, the capital of Bittnet Systems will increase by the amount of RON 32,765,796.89 , related to a number of 105,696,119 new shares (100% of the offer), the difference being represented by the conversion of receivables resulting from the M&A activity carried out in recent years. In March 2023, the management of the Issuer took the decision to pay partially by payment order and partially by conversion into BNET shares the consideration of these receivables. Thus, following the signing of the additional documents with the Sellers from the M&A transactions, the value of the receivables that were converted into shares at the price of 0.31 ron/share is RON 2,999,999.89 and represents part of the purchase price of Top Tech SRL. The bank transfers were made during March 2023, to the rights of the holders of claims from the M&A activity for the purchase of some packages of shares in the companies ITPrepared, The E-Learning Company, Nenos Software and Top Tech.

The total amount raised by the Company in the two stages (public offering and private placement) within this financing round by capital increase amounts to RON 29,765,797.

The issuer follows the registration procedures of the new share capital and the resulting new number of shares at the Trade Registry Office, the Financial Supervision Authority, the Central Depository and the Bucharest Stock Exchange. After making all the registrations with the competent authorities, the subscribed and paid-up capital of Bittnet Systems SA will be RON 63,417,671.40, corresponding to a number of 634,176,714 ordinary shares.

II. Signing of the sale and purchase agreement for the acquisition of 70% of Dataware Consulting SRL

Through the current report 50/09.12.2022, Bittnet informed investors about the signing of the contract for the purchase of social shares for the purchase of a percentage of 70% of the company DATAWARE CONSULTING SRL, integrator of IT&C products and services. The purchase price is RON 18,550,000 and will be partially paid in cash (RON 13.55 million), and the rest settled in BNET shares (RON 5 million). 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. Considering that the transaction price also includes a component settled in BNET shares, the percentage of 70% of the share capital and DTW voting rights will be divided proportionally between Bittnet Systems (18.87%) and the subsidiary company Dendrio Solutions (51, 13%). The remaining 30% of Dataware will remain the property of the founding shareholders. Following this M&A transaction, Bittnet Group expands its range of IT products and services with new technological capabilities as well as the range of certifications.

The closing depends on the approval of the Competition Council and on certain suspensive conditions customary for this type of transactions. Management estimates that the transaction will be completed in the first semester of 2023. The file for obtaining the opinion on non-concentration has been submitted to the Competition Council and its approval is awaited at the time of writing.

III. Repayment of the issue of corporate bonds BNET23C | January 2023

On 23.01.2023, Bittnet Systems repaid the principal borrowed (nominal value) from the BNET23C corporate bond issue at maturity. According to the Memorandum of admission to trading on the SMT-Bonds market of the BVB, the redemption price was 100% of the nominal value of the issue, i.e. RON 10,000,000. The registration date for the identification of the bonds that benefited from the redemption of the nominal value was 16.01.2023, and the payment date for the repayment of the BNET23C bonds is 23.01.2023, according to the Memorandum. The last trading session for BNET23C bonds took place on 12.01.2023. In addition to the repayment of the nominal value, the distribution of the last semi-annual coupon, coupon 8, with the same reference and payment data, was also made to the obligors.

IV. Unicredit Bank - Elian Solutions SRL credit extension and supplements | February 2023

On 03.02.2023, Unicredit Bank and Elian Solutions (part of the Bittnet group) signed the addendum for the extension and supplement of the credit product – revolving overdraft product. The agreement was extended for a period of 12 months and the credit was increased from RON 800,000 to RON 1,600,000 under the same conditions as the additional act of extension signed in 2022. The interest rate remained unchanged at: ROBOR3M+3%, facility maturity: February 2024. The structure of the guarantees: chattel mortgage on the accounts of Elian Solutions SRL opened at Unicredit Bank, assignment of receivables and letter of corporate guarantee issued by Bittnet Systems SA.

V. Partial repayment of Banca Transilvania investment loan | February 2023

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

In February 2023, Dendrio signed the addendum to the investment loan agreement by which a part of the investment loan contracted from Banca Transilvania for the acquisition of Top Tech's shares was repaid in advance. The partial repayment in the amount of RON 1.3 million came as a result of Dendrio selling 14% of Top Tech at the end of last year. Upon the signing of the investment contract, in August 2022, between Dendrio and Banca Transilvania, the parties agreed that in case Dendrio will sell percentages of Top Tech or 2NET Computer, the borrower agrees to repay a proportion of the investment loan that financed 75% of the M&A transaction price.

VI. Listing on the Regulated Market of the BVB of the BNET26E bond issue | March 2023

On 07.03.2023, the listing of the BNET26E bonds took place after the Issuer received the consent for admission to trading from the ASF and BVB. The issue consists of 20,596 registered, dematerialised, non-convertible, unsecured bonds with a nominal value of EUR 100/bond. The annual interest of 9% is payable quarterly through the Central Depository and the T2S system.

VII. Intragroup loan agreement: Bittnet Systems – The E-Learning Company | March 2023

In March 2023, Bittnet Systems signed an intragroup loan agreement with its subsidiary The E-Learning Company ("ELC") to support the development of its current activity. The loan is of the ceiling type, in the maximum amount of 500,000 RON, of which a first tranche of 200,000 RON was transferred in March. The loan is made available to ELC depending on the liquidity needs and the interest is 10% per year on the actual loaned balance.

The financial statements from page [3] to page [80] were approved and signed on March 27, 2023.

Mihai Logofatu	Adrian Stanescu
CEO	CFO