

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of BITTNET SYSTEMS S.A.

Registered Office: Sergent Ion Nutu St, no. 44, One Cotroceni Park, Corp A & Corp B, 4<sup>th</sup> fl., Bucharest-5  
Unique Code of Registration: 21181848

### Report on the consolidated financial statements

#### Qualified Opinion

1. We have audited the consolidated financial statements of BITTNET SYSTEMS S.A. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements as at and for the year ended 31 December 2022 are identified as follows:

▪ Total equity:	57.494.765 RON
▪ Net profit /(loss) for the year:	(2.196.586) RON

2. In our opinion, except for the effect of the matter described in the paragraph "Basis for qualified opinion", the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of the accounting regulations compliant with International Financial Reporting Standards (MOFP no. 2844/2016).

#### Basis for qualified opinion

3. As presented in Note 2 c) and Note 7, the Group has reassessed the provisions of IFRS 15 "Revenue from contracts with customers", correlated with those mentioned in the comments contained in the decision on the Agenda of the IFRS Interpretation Committee, regarding the resale of software licenses - Principal vs. Agent. The Group amended the revenue recognition policy, on a net basis (Agent), for the resale of licenses on a standalone basis, maintaining the previous policy for resold licenses combined with own value-added services. Based on our assessment from the perspective of the new guidelines of the Principal versus Agent, we have identified other resale of licenses on a standalone basis where the Group acts as Agent, value-added services not being part of the same performance obligation, as well as third-party services agreements resold on a standalone basis for which the Group acts as Agent. For other transactions that involve customization/installation of the software, supplying a bundle of equipment and software or involving other parties in supplying the service, judgment should be exercised to determine the Principal/Agent relationship, particularly if it controls the specified good or service provided by another party before that good or service is transferred to the customer. We have not been able to determine the adjustments that are necessary for presenting the revenue and expenses on a net basis for current year and comparative information. There is no impact on gross margin, gross profit, or equity from this matter.

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), UE Regulation no. 537/2014 of the European Parliament and of the Council („The Regulation”) and Law no. 162/2017 („The Law”). Our responsibilities under those standards and regulations are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board of Accountants Code of Ethics for Professional Accountants (“IESBA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Romania, including the Regulation and the Law, and we have fulfilled out other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**Emphasis of matter**

5. We draw attention over Note 28 “Contingent liabilities”, where is included a description of the litigation for the former office space, in which the Group conducted its activities until the end of May 2021. Considering the early stage of the dispute, as well as the fact that the level of potential losses related to this litigation cannot be reliable assessed, the Management considers premature any assessment of the chances or procedures, in establishing provisions affecting the current year result. Our opinion is not modified in respect of this matter.

**Key audit matters**

6. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition	
Key audit matter	How our audit addressed the key audit matter
<p>Please see Note 7 “Revenue from contracts with customers”.</p> <p>In accordance with International Standards on Auditing, there is an implicit risk on revenue recognition due to the pressure on management in obtaining the planned results.</p> <p>The Group’s main activity from which the Group records revenue are represented by sale and implementation of IT&amp;C goods, training services, and sale of licenses.</p> <p>Revenue is recorded after the control is transferred to the final client, which takes place after the formal acceptance for goods sold, or after the service was provided.</p>	<p>Our audit procedures included, among other:</p> <ul style="list-style-type: none"> <li>▪ Evaluation of processes and controls on the existence and accuracy of the recorded revenues.</li> <li>▪ Testing a sample of agreements concluded with customers to understand terms and conditions for transfer of control, also for conditions agreed for discounts to be granted.</li> <li>▪ Verification of sale register to identify unusual transactions and to check the supporting documents to confirm that revenues are properly recorded.</li> <li>▪ Audit procedures for testing that revenues were recorded in the appropriate period, for a sample of transactions recorded around the year-end.</li> <li>▪ Testing a sample of receivables by sending direct confirmation letters.</li> </ul>

## **Other information - Administrators' Annual Consolidated Report**

7. Management is responsible for the preparation and presentation of Other information. The Other information comprise the Consolidated Board of Directors report, and the Remuneration Report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
8. In connection with our audit of the consolidated financial statements for the period ended at 31 December 2022, our responsibility is to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.  
  
In respect to the Board of Directors report, we read and report whether the Board of Directors report is prepared, in all material respects, in accordance with the Order of Minister of Public Finance no 2844/2016, articles 15-19, respectively 26-28 of the accounting regulations in accordance with International Financial Reporting Standards.  
  
In respect of Remuneration Report, we read and report if this was prepared, in all material respects, in accordance with Law 24/2017, articles 106-107.
9. Based solely on the work required to be undertaken in the course of the audit of the financial statements, in our opinion:
  - a) The information given in the Board of Directors report for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the consolidated financial statements;
  - b) The Board of Directors Report, including the non-financial representation has been prepared, in all material respects, in accordance with OMFP no. 2844/2016, points 15-19, respectively 26-28, of the accounting regulations compliant with the International of Financial Reporting Standards.
  - c) The remuneration report has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, articles no. 106-107
10. In addition, based on our knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Board of Directors report. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

11. Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the Order of the Minister of Public Finance no. 2844/2016. and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
12. In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
13. Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

14. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
15. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - Obtaining sufficient and appropriate audit evidence for the entities and activities from the Group, to issue an opinion over the consolidated financial statements. We are responsible for coordination, supervision and execution of the group audit. We are solely responsible for our audit opinion.
16. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
17. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

18. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on other legal and regulatory requirements**

19. We were appointed as auditor of BITTNET SYSTEMS S.A. by the General Shareholders' Meeting on 26 November 2020. Our total uninterrupted period of engagement is 3 years, covering periods ending 31 December 2020 to 31 December 2022.
20. We confirm that:
- Our audit opinion is consistent with the additional report presented to the Audit Committee of the Company, which is issued with the same date as the current report. We also remain independent of the audited entity in conducting the audit.
  - We have not provided to the Company the prohibited non-audit services referred to in article 5 (1) of EU Regulation no 537/2014.

#### **Report on compliance with Commission Delegated Regulation (EU) 2018/815 (European Single Electronic Format Regulatory Technical Standard or ESEF)**

We have undertaken a reasonable assurance engagement on the compliance with Commission Delegated Regulation (EU) 2018/815 applicable to the consolidated financial statements included in the annual financial report of the Company as shown in the digital files containing the unique code 315700VUUQHM9VEDRO36-2022-12-31-ro\_v1 (Digital Files).

#### **Responsibility of management and those charged with governance for Digital Files prepared in accordance with ESEF**

Management is responsible for preparing the Digital Files in accordance with ESEF. This responsibility includes:

- the design, implementation and maintenance of the internal control relevant to the application of ESEF;
- ensuring consistency between the Digital Files and the financial statements that will be published in accordance with Order no. 2844/2016 with subsequent amendments.
- selection and implementation of appropriate iXBRL mapping;

Those in charge of governance are responsible for overseeing the preparation of Digital Files in accordance with ESEF.

#### **Auditor's Responsibilities for Audit the Digital Files**

Our responsibility is to express a conclusion on whether the financial statements included in the annual financial report complies in all material respects with the requirements of the ESEF, based on the evidence we have obtained. We conducted our reasonable assurance assignment in accordance with International Standard on Assurance Assignments 3000 (revised), Assurance Assignments other than audits or reviews of historical financial information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with ESEF. The nature, timing, and extent of the procedures



selected depend on the auditor's judgement, including the assessment of the risk of material departures from the requirements set out in ESEF, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of the Company's process for preparation of the Digital Files in accordance with the ESEF, including the relevant internal controls;
- reconciling the Digital Files with the audited financial statements of the Company that will be published in accordance with Order no. 2844/2016 with subsequent amendments.
- evaluating if all financial statements that are included in the annual financial report have been prepared in a valid XHTML format.
- Evaluating if the iXBRL mapping are in compliance with ESEF requirements.

We consider that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In our opinion, the financial statements for the financial year ended December 31, 2022 included in the annual financial report and presented in the Digital Files comply, in all material respects, with the requirements of ESEF.

In this section we do not express an audit opinion, a review conclusion or any other assurance conclusion on financial statements. Our audit opinion on the Group's financial statements for the financial year ended December 31, 2022 is included in the " Report on the Audit of the Consolidated Financial Statements" section above.

#### Other matters

21. This report of the Independent Auditor is addressed exclusively to the Group's shareholders, as a body. Our audit was undertaken in order to report to the Company's shareholders all those aspects that we are required to state to them in a financial audit report and for no other purposes whatsoever. To the extent permitted by law, we do not accept or take responsibility to anyone other than the Company and its shareholders, as a body, for our audit work, for the report on the financial statements, or for the opinion we have formed.

For and behalf of BDO Audit SRL

Registered in the Public Electronic Report of financial auditors  
and audit firms with no. FA18

Partner's name: Cristian Iliescu

Registered in the Public Electronic Report of financial auditors  
and audit firms with no. AF1530

Bucharest, Romania

Refer to original signed  
version in Romanian language

27 March 2023