

# bittnet

group

## BNET Report

### Q1 2023

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Semester Report according to	Annex 13 to the COMMISSION DELEGATED REGULATION (EU) 5/2018
For the financial year	01.01.2023 - 31.03.2023
Report date	12 May 2023
Name of the company	BITTNET SYSTEMS S.A.
Registered office	Bucharest, 5th District, Serg. Ion Nuțu, nr. 44, One Cotroceni Park, Building A and Building B, 4th Floor
Mail address/operating premises	Bucharest, Sector 5, Serg. Ion Nuțu, nr. 44, One Cotroceni Park, Building A and Building B, 4th Floor, 050691
Telephone/fax	021.527.16.00 / 021.527.16.98
Unique registration code at the Trade Register Office	21181848
Trade Register registration number	J40/3752/2007
The regulated market on which the issued securities are traded	Bucharest Stock Exchange, Standard Segment
Paid-in and subscribed share capital	RON 63.417.671,40
Main characteristics of the securities issued by the company	634,176,714 shares with a nominal value of 0.10 lei per share
Trading Symbol	BNET - shares BNET23, BNET23A, BNET26E - bonds
Shares ISIN code	ROBNETACNOR1
Contact	<a href="mailto:investors@bittnet.ro">investors@bittnet.ro</a>



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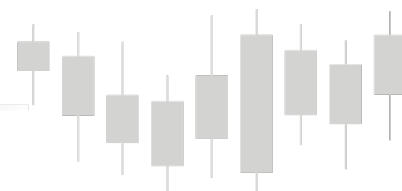
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## A message from the CEO

In Q1 2023, our Group recorded consolidated revenues of RON 53.5 million, with an increase by over 63% compared to the same period last year, as a result of accelerated growth in the IT&C integration activity (80% increase vs. Q1 2022). At gross margin level we record an increase of 32% from RON 6.5 million in Q1 2022 to RON 8.6 million in Q1 2023. The increase in indirect, administrative expenses recorded over the past year has led to the recording of an operating loss at group level in this first quarter of the year of RON 2.3 million compared to approximately zero in Q1 2022. At the level of the financial result, we record a decrease in the loss, from RON 3.1 million in Q1 2022 to RON 574 thousand in the first three months of 2023. Thus, the gross result remains in the negative interval, in line with last year: a gross loss of RON 3.3 million, versus RON 3.5 million in the same period last year.

From an annualized perspective (“last 12 months”), the evolution of results reconfirms our group's ability to increase revenues and operating profitability: consolidated revenues amounted to RON 213 million, up almost 74% compared to the previous period, while gross margin to RON 45 million, up 67%. During this time, operating profit had a positive evolution of 35% reaching RON 6 million.

We record a solid financial position, with debts to suppliers covered by receivables from customers and stocks to be invoiced. Receivables from customers are 54% higher than in the same period last year, while business is up 63% and total financial liabilities (short and long term, ignoring ‘lease’ liabilities under IFRS16) are approximately equal to the cash position (RON 43 million). Compared to Q1 2022, total assets are up 84% to RON 226 million and equity is up 80% to RON 87 million.

In terms of cash flows, typically for the first three months of the year, the operating loss generated a cash outflow of RON 2.2 million, similar to Q1 2022, with net cash of RON 11 million drawn in through financing activity being used to cover this amount and to pay for net investments of RON 8 million (RON 7 million company acquisitions and RON 1 million fixed asset acquisitions). It is important to note that the amount of RON 11 million net cash from financing activity resulted after the significant reduction of the debt ratio through the repayment of debts (bank and bond) amounting to RON 15 million. Under these circumstances, the cash position at the end of the quarter is RON 43 million, compared to RON 19 million at the end of Q1 2022. We are thus well placed to access funding this year both from the capital market, through successive listed bond offerings, and through bank loans, especially for M&A activity.

Since listing in 2015 on the Bucharest Stock Exchange, Bittnet Group has achieved a Compound Annual Growth Rate (CAGR) of 48% in revenue, 59% in assets, 69% in equity and 40% in operating profit. Also during this time, the average annual return on equity (ROE) amounted to 55%.

In the first three months of the year, we have successfully completed the largest round of capital increase carried out so far, during which we have drawn RON 32 million. Thus, taking into account the current equity and strong cash position, as well as the ability to produce a positive cash flow year after year, the group is positioned as a good candidate to access further financing, thus being able to carry out complex business projects as well as successful M&A investments.

During April, we received a notification from the Competition Council regarding the approval of the purchase transaction of Dataware, the final authorization decision to be sent in the next period. The company will join our group under the Cloud & Infrastructure pillar and we expect the transaction to close in Q2, so that the Dataware results will be consolidated starting in June or in Q3. We continue to actively work to seek, identify,



negotiate and implement both size significant transactions and bolt on acquisitions for each of the business lines.

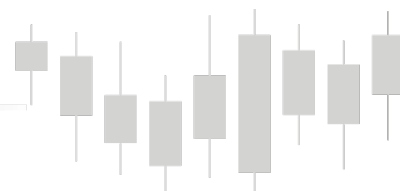
Given the increase in the organizational structure registered in 2022, up to a level that we believe can support a business of RON 500 million (the target undertaken for the end of 2024), we announced a change in the organization's focus, towards efficiency and profitability, starting with this year. The income and expenditure budget approved at the end of April 2023 by the shareholders reflects this transition towards increased profitability, with a slowdown in the pace of turnover growth but a doubling of EBITDA and operating profit (from RON 8.5 million in 2022 to RON 18 million targeted for 2023).

Each of the companies in the group has different opportunities and challenges, given the specifics of each of them (size, type of products sold, type of customer, etc.). Although this three-month period is very short, we are already seeing positive signs, which leads us to continue the process of streamlining the business in order to achieve the objectives planned for this year.

As always, we welcome your questions at [investors@bittnet.ro](mailto:investors@bittnet.ro).

Mihai Logofătu,

Founder and CEO Bittnet Group



## Key events in Q1 2023 at Group level

### Redemption of BNET23C corporate bond issue | January 2023

On 23.01.2023, Bittnet repaid the principal amount borrowed (nominal value) under the BNET23C bond issue at maturity. According to the Memorandum of admission to trading on the SMT-Bonds market of BVB, the redemption price was 100% of the nominal value of the issue, namely Ron 10,000,000, the registration date for the identification of the debtors who benefited from the redemption of the nominal value was 16.01.2023, and the payment date for the redemption was 23.01.2023. The last trading session for BNET23C bonds was 12.01.2023. In addition to the redemption of the nominal value, the distribution of the last semi-annual coupon to bondholders, coupon 8, was also made with the same reference and payment dates.

### Share capital increase | January – March 2023

In the first 3 months of the year, a new capital increase operation was successfully carried out, as a result of which Bittnet's capital increased by the amount of RON 32,765,796.89, related to 105,696,119 new shares. Within this financing operation, 96,018,700 new shares worth RON 29,765,797 (90.84% of the entire volume of the bid) were subscribed, the difference representing the conversion of receivables resulting from the M&A activity carried out in the last years.\*

Following the completion of the procedures required for the registration of the new share capital and the new number of shares with the Trade Registry Office, the Financial Supervisory Authority, the Central Depository and the Bucharest Stock Exchange, at the date of publication of this report, the subscribed and paid-up share capital of Bittnet Systems SA is worth RON 63,417,671.40, corresponding to 634,176,714 ordinary shares.

\* For more details on the capital increase operation, please refer to the market information reports published by the Issuer on 16.01.2023, 28.02.2023, 03.03.2023, 10.03.2023 and 17.03.2023.

### New shareholding structure | March 2023

Following the capital increase operation completed in March 2023, Impetum Investments, the investment division of Impetum Group, and the pending investment fund Agista joined the Bittnet Group's shareholding, thus becoming the Company's largest shareholders with a stake of approximately 30%. Thus, through the two anchor investors, the company is making the transition from a purely retail shareholder base to a more institutional one.

### Payment of the countervalue of the receivables resulting from the M&A activity | March 2023

In March 2023, the Company's management decided to pay the consideration for the receivables resulting from the M&A activity partly in cash and partly by conversion into BNET shares. Thus, following the signing of the additional deeds with the Sellers from the M&A transactions, the value of the receivables converted into shares at the price of RON 0.31 was RON 2,999,999.89 and represented the non-cash part of the purchase price of Top Tech SRL.

The cash payments made in March 2023 refer to the payment of the equivalent value of the receivables resulting from the acquisitions of the shares in ITPrepared, The ELearning Company, Nenos Software and Top Tech.



### Listing of BNET26E bonds on the Regulated Market | March 2023

On 07.03.2023 the first trading session of BNET26E bonds took place. The issue consists of 20,596 registered, dematerialized, non-convertible, unsecured bonds with a nominal value of EUR 100 per bond. Annual interest of 9% is payable quarterly via the Central Depository and the T2S system.

### Convening of OGMS & EGMS | March 2023

In addition to the specific points of an annual GMS, namely the approval of the individual and consolidated financial statements for 2022, the discharge of the Board of Directors or the approval of the Budget for 2023, the proposal regarding the extension of the Board of Directors to 5 members was also on the agenda, given the current size of the Group and the new shareholding structure. The two new Board members approved by the shareholders at the GMS on 27 April are Dynamic Data Drawings S.R.L., represented by Anca Manițiu and Rudolf Vizental. On the agenda were also some technical points concerning the update of the Company's Articles of Association, as well as the approval of a capital increase operation with the issuance of preference shares.

All items on the OGMS & EGMS agenda were approved by the shareholders, except for item 5 EGMS where the quorum required to submit the item to debate and vote was not met.

### Acquisition of Dataware Consulting SRL

Completion of the transaction depends both on the approval of the Competition Council and on certain conditions precedent customary for this type of acquisition. The file for obtaining the economic non-concentration permit was submitted to the Competition Council in the first quarter, and the completion of the transaction is expected to take place in the first half of 2023. At the end of April, the Competition Council sent the Company a notification according to which no inconsistencies were found in the competition legislation, and the Authorization Decision will be sent as soon as possible.



## Technology Division

### Infrastructure and Cloud

The beginning of 2023 in this line of business is marked by the delay of funding through the national recovery and resilience plan (RRP), which led to the extension or postponement of a number of medium and large-scale projects. However, projects opened in the second half of 2022 (e.g. university digitisation projects) are ongoing and will generate significant impact during this year.

### Dendrio and Top Tech

At the operational level, the management team is focused on the promise made at the beginning of the year: increasing profitability. Both Dendrio and Top Tech - system integrator companies - have focused more on accelerated gross margin growth versus total revenue growth, while maintaining or even decreasing operating costs.

We have paid increased attention to streamlining Dendrio's business as a result of the consolidated results recorded in 2022. Early signs are positive, with the company marking a 10% increase in gross margin compared to the first 3 months of 2022, as total revenues were similar to Q1 2022. We have focused our efforts on streamlining and controlling costs, while increasing the dynamism of our sales teams in dealing with customers.

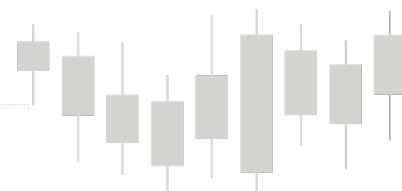
### Partial early repayment of investment loan

In February 2023, Dendrio signed the additional deed by which part of the investment loan contracted with Banca Transilvania for the acquisition of the shares of Top Tech was repaid early. The partial repayment, amounting to RON 1.3 million, came about as a result of Dendrio selling 14% of Top Tech at the end of last year. The agreement at the signing of the investment agreement in August 2022 between Dendrio and Banca Transilvania was that if Dendrio sells a stake in Top Tech or zNET Computer, Dendrio will repay proportionally from the investment loan that financed 75% of the price of the two M&A transactions.

### Optimizer

IT infrastructure management / operation services is an extremely large market in developed countries (especially in the United States, but not only) but we can say that this market is still at the beginning in Romania. Optimizer operates in both markets (USA and Romania) which allows us to understand and learn the principles of operating in an advanced market and provide this knowledge to local companies.

For Optimizer, in the first quarter turnover increased by 52% by bringing in new customers and increasing contracts with existing customers. The effort focused on preparing the launch on the Western and Northern European markets starting with the second quarter. We expect a consistent growth in figures in the coming quarters.





## Cybersecurity

### Fort

The continuous increase in the demand for cybersecurity services has led to the increase of Fort's revenues, in the context of a significant pressure on the highly skilled labor market, necessary in this field. Thus, the company recorded a positive turnover dynamics in the first 3 months of the year, with an increase of 29% compared to the same period last year, while total revenues increased by 52%. The increase in turnover was determined by additional service deliveries compared to Q1 2022, as a result of the company's employment since March 2022.

Starting with January 2023, the necessary processes for international expansion have been implemented within the company. Thus, an active prospecting of potential customers is carried out, using specific means of outbound marketing. The process was launched by identifying opportunities in Western Europe, with similar actions planned for the second half of the year for the United States.

At the same time, in order to ensure a sufficient number of potential customers, the company has concluded participation agreements at international fairs and conferences, which will take place between June and October 2023.

The company's cooperation with traditional customers has followed the upward trend of recent years, and diversification of services can be observed in the following important accounts. Regarding new accounts, service delivery contracts were signed with 3 new customers in the first quarter of the year.

In order to ensure the accelerated growth that the company is considering, it is necessary to diversify the portfolio of services provided. As a result, in the first quarter the necessary activities were carried out to increase the share of MSSP (Managed Security Services Provider) services in the total turnover. This change in perspective serves several of the company's goals, such as:

- it represents an important step in positioning Fort as an integrated security provider (360 Security Provider);
- it generates an increase in the share of recurring sales within the company;
- it enables the delivery of services with technical resources that can be recruited, specialized and integrated faster and more efficiently compared to other types of positions associated with cybersecurity.



## Business and Software Applications

### Eliau Solutions

We continue to see a consistent demand from private companies for digitisation, particularly for business application platforms. Eliau Solutions (a company specializing in the implementation of enterprise management applications - ERP) has strengthened both its team and its implementation processes, so it continues its upward trend, with the company recording a turnover of RON 3,459,657 in the first quarter of the year, up 61% compared to Q1 2022. The growth comes from each of the 3 main directions pursued by the company:

- license sales - 57% increase vs Q1 2022;
- implementation services - up 40% vs Q1 2022;
- support services - 118% growth vs Q1 2022.

A change in the structure of the turnover is observed, with support services having a higher share in the total turnover at the beginning of the year: 24% vs. 18% in Q1 2022. This is due both to the increase in the portfolio of successfully implemented clients and to the continued implementation of SAF-T reporting for Eliau clients who are required to file this return from 1 January 2023 (medium taxpayers).

The process of attracting and strengthening the Eliau team continues, with the most spectacular growth in the programming department, now composed of 18 programmers, compared to 10 in the first quarter of 2022. This growth aims both to strengthen the business of implementing "custom" services - so that each implementation delivered has a solution design made on specific business requirements, but also the Eliau verticals on the SAS solution of Microsoft Dynamics 365 Business Central: retail, textile production, agricultural production, real estate management, location.

In terms of customers, during this period Eliau team has strengthened the Agro vertical by signing implementation contracts with major players in the field: Dachim, part of ROCA Agri RDF Holding and Plantagro COM Srl (based on the group-wide partnership with Vodafone). The Agro solution is developed on the Dynamics 365 Business Central platform and covers specific business requirements: agricultural production, lease management, grain trading, agricultural input distribution.

### Extending and complementing a bank loan product

On 03.02.2023, Unicredit Bank and Eliau signed the addendum for the extension and supplementation of the revolving overdraft credit product. The agreement was extended for a period of 12 months and the credit was supplemented from RON 800,000 to RON 1,600,000 under the same conditions as in 2022. The interest rate remained unchanged at ROBOR<sub>3M</sub>+3% and the maturity of the facility is February 2024. Structure of the guarantees: chattel mortgage on Eliau Solutions SRL accounts opened with Unicredit Bank, assignment of receivables and corporate guarantee letter issued by Bittnet Systems SA.

### Nenos Software & Nonlinear

The area of Artificial Intelligence services continues to be a niche area, but one that can bring tremendous benefits to companies implementing such solutions.

Thus, in Q1 2023 the company continued to deliver software products and services to its customers in a professional and efficient manner, solving business problems through information and solutions tailored to their needs. Positive feedback from customers indicates that Nenos & Nonlinear employees and collaborators



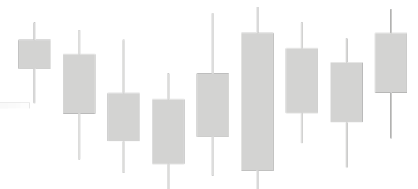
have a proactive and open approach, are dedicated to their customers and provide them with quality support. The company is currently in the process of renegotiating hourly rates with existing clients.

The IT industry is on a downward slope, and the Nenos & Nonlinear team has always managed to adapt to these changes. The aim is constantly to diversify the portfolio of products and services, so that the needs of customers can be met from a wide spectrum, and the next period will be the perfect opportunity to develop new projects.

### **Nenos Academy**

The Nenos Academy project manages every time to reach as many students as possible in Galati and beyond. With each edition organized, new talents are discovered who, although they are at the beginning of their career in IT, have a high potential and are able to offer solutions to complex technical problems. Some of these young people, who have acquired basic programming skills through Nenos Academy and are eager to continue learning new things and developing their skills, have joined the Nenos team.

Team members understood that one of the most important skills a programmer needs to have is adaptability. So the first to set the tone in this process are our team leaders, who started attending technical training courses, the first being Software Architecture.



## Education division

For the Education Division the year 2023 started under the auspices of the rebound of the IT market in the USA and the forecast that this wave will reach Romania as well. As a result, many of our clients have been reserved in their approach to training budgets, and the large technology vendors have frozen marketing budgets that helped us win new clients, or develop projects with large audiences.

Also, the Demand Generation department, which is the front line in front of new customers and closest to the market, perceived a slow pace and uncertainty around training plans for potential customers. Although there are still budgets allocated to training activities in the market, the start of these activities was largely put "on hold" in Q1 until further clarification on the direction and results of each company we approached.

Towards the end of the quarter, there was an acceleration in the pace of project closures and a greater openness from clients to release and allocate budgets in the area of training. A number of already negotiated projects on hold were thus given the green light to close and be delivered.

Because the pipeline in this first quarter was much lower than originally estimated, we refocused all initiatives in the functional teams (Marketing Demand Generation and Business Development) on generating new opportunities, so:

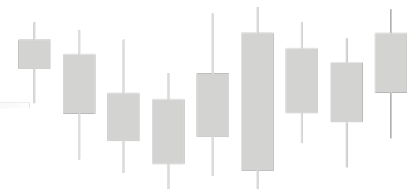
- Marketing and Product teams focused all their initiatives exclusively on sales lead generation;
- the Product Management department focused on generating leads for the products in the portfolio by developing 6 promotional campaigns for Microsoft, ITIL and AWS. A digital skills testing campaign was also launched to identify the actual level of skills existing in the companies, with the ultimate goal of generating new leads through the creation and delivery of training plans customized to customer needs. Another focus of the department has been the creation of customised learning paths, on 9 key technical areas, thus coming to the aid of SMEs wishing to retrain their workforce with a concrete training plan on the latest technologies. Also in Q1, the department worked on the development of video content for the new "self-paced" content project, thus extending our service offer to this type of learning as well;
- the Marketing department quickly adapted to the new environment and integrated, as part of the digital marketing strategy, a complete display framework in all the media preferred by our consumers. Thus, we are present on absolutely all digital marketing platforms with our entire catalogue of training programmes. In this way, we have created a unique channel for tech skills training providers in Europe. All these activities led to the generation of 120 leads, which were subsequently converted into 66 business opportunities with a total estimated value of EUR 198,000. Of these, 5 have already been won with a total value of EUR 21,000 and 47 opportunities with a total estimated value of EUR 159,000 currently have "open" status;
- the Demand Generation team has increased the number of companies it prospects by 50% each month. Thus, 202 companies have generated a total of 26 SQL (Sales Qualified Leads) - opportunities. The estimated value of these opportunities, still under negotiation and discussion with clients, is EUR 80,000;
- the Business Development - Tech Skills team has resumed the Pipeline Abundance II project. Within the project, the market is actively prospected on the Demand Generation team model, following the process with 7 contact points. In Q1, in addition to this pipeline growth initiative, the team closed 101 business opportunities worth EUR 835,000.
- The Business Development - Soft Skills team is also involved in the Pipeline Abundance II project and completed 16 training projects in Q1 with a total value of EUR 100,000. Also during this period, colleagues



in Training Delivery - Soft Skills have restructured the First Time Leader in Tech program, the first program of its kind in Romania, using the Agile methodology so that program participants work in sprints, with digital work boards and feedback and evaluation sessions.

- The Training Delivery team delivered 70 classes with 660 participants and started discussions with over 100 potential trainers to increase delivery capacity. We are thus preparing ourselves to proactively respond to delays in delivery caused by the postponement of training budgets.

All these initiatives are designed and implemented with a view to increasing the turnover of the Education Division, knowing that we protect the margin of around 58% through our pricing policy. At the same time, we are also careful and cautious with marketing investments and hiring.



## Overview of the financial position and performance of the issuer and its subsidiaries

### Financial Position

At the end of Q1 2023, non-current assets recorded a value of RON 103 million, compared to RON 56.5 million at the end of Q1 2022. The increase is almost entirely due to the establishment as an asset of the One Cotroceni premises - RON 26 million - and the increase in goodwill following the completion of the transactions with TopTech and 2Net - RON 16 million.

Current assets at consolidated level have had a similar evolution: from 66 million RON at the end of Q1 2022 to RON 123 million at the end of Q1 2023. Inventories at the end of Q1 2023 are atypically high: RON 11 million, to be invoiced in Q2. Receivables from customers increased in line with turnover (from 34 to 53 million lei), and the most significant positive development in current assets is the cash position, 24 million lei higher than in Q1 2022.

Turning to the analysis of liabilities, long-term liabilities increased from 21 to 37 million lei by recording as a liability the premises lease contract, in accordance with IFRS 16. Short-term liabilities increased from RON 53 to 101 million, mainly due to the RON 31 million increase in trade payables (in line with business growth) and bank loans - from RON 4 to 12 million. Trade payables are fully covered by trade receivables plus stocks to be invoiced and the cash position fully covers bank and bond liabilities, both long and short term.

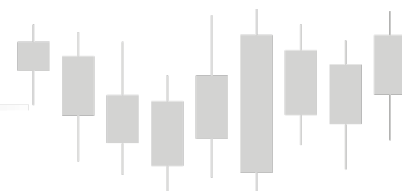
As a result of the completion in Q1 of a capital increase operation, combined with the positive result of the previous year, net book assets record a value of RON 87 million, increasing significantly from RON 49 million in Q1 2022.

### Cashflow

In terms of cash flows, typically for the first three months of the year, the operating loss generated a cash outflow of RON 2.2 million, similar to Q1 2022, with net cash of RON 11 million drawn in through financing activity being used to cover this amount and to pay for net investments of RON 8 million (RON 7 million company acquisitions and RON 1 million fixed asset acquisitions).

It is important to note that the amount of RON 11 million net cash from financing activity resulted after the significant reduction of the debt ratio through the repayment of debts (bank and bond debt) amounting to RON 15 million. Under these circumstances, the cash position at the end of the quarter is RON 43 million, compared to RON 19 million at the end of Q1 2022.

We are thus well placed to access funding this year both from the capital market, through successive listed bond offerings, and through bank loans, especially for M&A activity.



## Performance of the issuer and subsidiaries

BNET GROUP	31.Mar.23	31.Mar.22	Evolution
<b>Revenues from contracts with clients</b>	<b>53,559,644</b>	<b>32,848,836</b>	63,0%
Revenues from the provision of services	15,604,114	13,930,951	12,0%
Sale of goods	37,955,530	18,917,886	100,6%
<b>Cost of sales</b>	<b>44,975,914</b>	<b>26,353,086</b>	70,7%
Cost of sale of goods/materials	34,010,363	16,840,651	102,0%
Cloud services	1,205,584	1,208,258	-0,2%
Hours-Man	9,759,968	8,304,177	17,5%
<b>Gross margin</b>	<b>8,583,730</b>	<b>6,495,750</b>	32,1%
Other revenues	686.441	164.634	317,0%
<b>Sale/distribution expenses</b>	<b>3,892,148</b>	<b>2,779,344</b>	40,0%
Hours-Man	3,530,521	2,300,683	53,5%
Advertisement	361.626	478.661	-24,5%
<b>Administrative expenses</b>	<b>7,853,867</b>	<b>3,906,568</b>	101,0%
Hours-Man	3,514,416	1,658,752	111,9%
Amortization	1,810,373	559.166	223,8%
Other third party services	1,028,535	834.953	23,2%
<b>Operating profit (without one-offs)</b>	<b>(2,355,010)</b>	<b>(5.940)</b>	
EBIT	(2,475,844)	(25.528)	
EBITDA	(665.471)	533.638	-224,7%

Consolidated turnover increased by 63% compared to the comparable period of the previous year, while cost of sales increased by 70%. This combination leads to an increase in gross margin in nominal terms (from RON 6.5 million to RON 8.6 million) but a decrease in the percentage of gross margin to turnover (16% in 2023 versus 19.8% in Q1 2022).

Selling expenses increased by 40%, which compared to the 60% increase in turnover is a positive factor. Administrative expenses are double in Q1 2023 compared to Q1 2022, mainly due to the expansion of the consolidation perimeter (68% of the difference is explained by the TopTech and zNet companies).

The combined evolution of gross margin and indirect expenses generates a negative operating profit of RON 2.3 million. The financial profit improved: a loss of RON 574 thousand compared to a loss of RON 3.1 million last year. Thus, the gross result is a loss of RON 3.3 million, in line with the RON 3.5 million in Q1 2022.

We emphasize that the turnover is presented in accordance with the revenue presentation policy applied also for the 2022 annual report, which generated the issuance of an audit opinion with reservations for the financial statements related to the year 2022. The reservation does not refer to profit or capital company's own, but to the potential recognition of revenues only on a net basis (as "Agent" according to IFRS15), instead of gross value (as "Principal" according to IFRS15). The issuer has requested an additional opinion from one of the auditors in the BIG4 group, either to certify our current revenue presentation policy or to identify a new functional revenue presentation policy. We remind you that in the opinion with reservations, our current auditor mentioned that he cannot quantify a value of the change in turnover that would eliminate the reservation expressed.



## Annualised outlook on financial results

We present below the Group's results from an annualised perspective (last "12 months"), in order to get an overview of the medium-term development of the business.

The group's business growth is 74% (from RON 122 to 213 million), with a gross margin of almost 45 million lei (up 67% compared to the comparable period). As we showed in the annual report for 2022, the sizing of the group's organizational structure to deliver business of RON 500 million lei has meant a "step up" in administrative expenses, which is still reflected in the results for 2023 and beyond, impacting the decrease in the operating profit percentage from 3,6% to 2,8% , even though in nominal terms we have an increase of 35% .

As we announced at Investor Day 2023, we believe that we can start transforming the organization by focusing on profitability starting in 2023, 2 years earlier than previously announced.

	Trailing 12M Q1 2022	Trailing 12M Q1 2023
<b>Revenues from contracts with clients</b>	<b>122,459,341</b>	<b>212,867,298</b>
Cost of sales	(95,581,638)	(168,035,095)
<b>Gross margin</b>	<b>26,877,703</b>	<b>44,832,203</b>
Other revenues	4,147,962	4,003,266
Sales/distribution costs	(10,269,119)	(14,906,135)
Administrative expenses	(12,842,780)	(28,056,509)
EBIT	7,913,765	5,872,825
One-off result	3,453,590	(151.315)
<b>Operating profit (without one-offs)</b>	<b>4,460,176</b>	<b>6,024,140</b>
SOP expense	(1,008,456)	(733.270)
M&A pre-acquisition costs	(1,632,321)	(1,664,493)
Impairment GW	-	(495.000)
Profit/(loss) – Equivalent securities	559.195	289.043
Financial income	8,552,922	23.857
Financial expenses	(2,821,220)	(5,106,898)
<b>Gross profit</b>	<b>11,563,886</b>	<b>(1,813,937)</b>
Tax Profit	1,378,849	(219.617)
<b>Net Profit, of which:</b>	<b>10,185,037</b>	<b>(1,594,320)</b>
Attributable to parent company	8,908,597	(4,297,270)
Non-controlling interests	1,276,440	2,702,950





## Statement

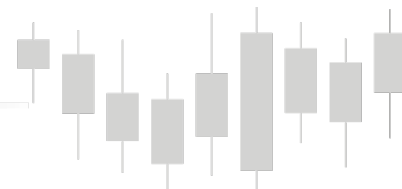
This Document contains forward-looking statements within the meaning of the laws governing securities in certain jurisdictions. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including statements preceded by, followed by, or that include the words "may", "will", "would", "should", "expects", "intends", "estimates", "forecasts", "anticipates", "schedules", "believes", "tries", "plans", "foresees", "continues", "commits", "undertakes", "is expected", or, in either case, negative forms thereof or other variations or other similar terminology or discussion of future strategies, plans, objectives, rules, goals, events and intentions. These perspectives appear in several places in this document.

Forward-looking statements include statements regarding current intentions, beliefs or expectations concerning, among other things, results of operations, vision, growth, dividend strategy and policy or the industry in which the Company operates. The forward-looking statements contained in this document report as of the date of this document. The Company undertakes no obligation to release any updates or revisions to any such forward-looking statements contained in this Document to reflect any change in the Company's expectations with respect thereto or any change in events, conditions or circumstances on which any such statements are based, except as required to be done by applicable law.

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

Important factors that could cause the Company's actual results or performance to differ materially from those expressed in these forward-looking statements include the factors described in the "Risk Factors" section of the Universal Registration Document and in other sections of this Document. These factors include, but are not limited to, fluctuations in interest rates, delays in deliveries by manufacturers or distributors caused by the global semiconductor shortage, the economic and social situation in Romania . These risks and the other information described in the section "Risk Factors" are not exhaustive. Other sections of this Document describe other factors that could adversely affect the Company's results of operations, financial position and the development of the industry in which the Company operates. From time to time, new risks affecting the Group's operations and business may arise, and it is not possible for the Company to predict all such risks, nor can it assess the impact of all such risks or the extent to which any such risks or combination of such risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements.

When reading forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties or events, particularly in light of the political, economic, social and legal environment in which the Company operates. Given these risks and uncertainties, investors should not rely on forward-looking statements as a prediction of actual results.



## Risk factors

We remind investors that investing in Bittnet shares or bonds involves certain risks, some of which are listed below.

### Risks related to the Issuer's business and field of activity:

#### The risk associated with achieving the business development plan

The strategic objective of the company is to continuously develop the customer relationships. The possibility that Bittnet may not be able to expand its current customer base or the possibility that relationships with existing customers may deteriorate cannot be ruled out. There is also the risk that the company will not be able to meet other objectives of the strategy it has defined, namely: expanding the sales force, establishing a local office in one of the main cities of the country, strengthening its leader position on the IT Training market in Romania, expanding the customer base in the country and abroad and providing trainings for a larger number of potential customers, as well as developing and creating strategic partnerships with companies with similar or complementary profiles will not prove successful. In order to reduce this risk, the company intends to expand the range of products and services and improve marketing activities.

#### Risk associated with M&A transactions (acquisitions of and mergers with other companies)

Most of the studies and articles dedicated to the subject of M&A (procurement processes and mergers with other companies / businesses) show, overwhelmingly, that M&A processes destroy the value for both companies, especially for acquirers. This element becomes even more unfavourable when companies pay with shares of the acquiring company in their acquisitions, as is the case with our group. There is a significant risk that the processes we carry out will have the same negative consequences in the long run. Management tries to build each investment with a high degree of safety ("margin of safety") and to align the interests of the participants through payment formulas and mechanisms. However, there is no guarantee that we will be able to continue to identify such solutions and that future merger and acquisition processes will be profitable for our group.

#### The risk associated with making the financial forecasts

The Company's financial forecasts are based on the assumption of successfully implementing the growth strategy based on existing resources and business units. However, there is a risk associated with making the financial forecasts. The forecasts have been created with due diligence, but they are still forecasts. The exact data published in future periodic reports may differ from the forecasted values as a result of factors that were not foreseen in the Company's environment. The company will provide information on the possibility of making financial forecasts.

Each year the Company submits a Revenue and Expenditure Budget ("REB") to shareholders for approval. Management builds this REB using a "bottom-up" approach: starting from assessments of ongoing projects (of the sales pipeline available at the time of the REB), sales statistics from previous years, marketing and sales activities already committed/planned and sales targets undertaken by each member of the sales team. In other words, the REB is built prudently.

On the other hand, what we pursue and measure in relation to the sales team and any partner is the GROSS commercial MARGIN and not the amount of sales. Thus, each year when the REB is published, management



must answer the question: "if we are reasonably confident that we can generate RON 100 gross margin, from how many RON of sales will we get this margin?". It should be taken into consideration that sales achievements are measured and estimated EXCLUSIVELY depending on the volume of the generated gross margin. In other words, RON 100 margin generated from sales of RON 200 of courses is equally valuable to the company and is therefore equally rewarded with 100 lei margin generated from sales of 500 lei of communication solutions.

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

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

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

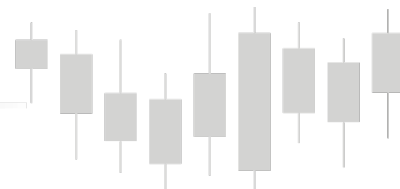
### Personnel risk/delivery capacity

The Company's success depends to some extent on its ability to continue to attract, keep and motivate the qualified personnel. Bittnet's business relies on highly skilled, highly paid engineers who are in short supply and can receive offers from competitors. If the Company fails to optimally manage staff needs, this may have a material adverse effect on the business, financial conditions, operational results or potential future employees. The Company offers attractive employee incentive packages and dynamic career development options to attract, retain and motivate experienced and potential staff.

Historically, Bittnet has experienced lower staff turnover than the companies we do business with. Two decisions, taken in 2015, have allowed us to do this:

- ✓ The addition of the internal HR role to the organisational chart and its filling by a person with experience in recruiting and dealing with IT professionals. The HR role has two objectives:
  - continuous recruitment - identifying new talents to include in our technical team;
  - creating and maintaining a pleasant, engaging and healthy work environment, focused on constantly promoting the company values on which the company culture is based: competence, performance, integrity, flexibility and fun.
- ✓ listing on the Bucharest Stock Exchange, which allowed us to obtain an appreciated employer profile and helped us differentiate ourselves as an open and transparent company - an image highly appreciated by all new and old employees.

This risk continues to be one of the company's most important risks and, as a result, management will continue to attach great importance to this issue. Annually from 2016 to 2021, Bittnet's Annual General Meeting of Shareholders has approved one incentive plan (in English "incentive plan") each for key persons based on shares (in English "Stock Option Plan"), with the aim of better aligning their interests with the long-term interests of the Company, which are designed to reward employees only if shareholders have recorded a gain during the period of the respective plan.



Given the overheating of the labour market and the entry of a larger proportion of the workforce from the '80s and '90s generation ("Millennials"), we believe that the risk related to the ability to deliver on promises made to customers is a significant one for the Company and is also accompanied by the continuous increase in the financial demands of team members and collaborators (a continuous increase in fixed costs).

Thus, perhaps the greatest risk in this regard is related to obtaining a "Yes" vote from the Company's shareholders for the continued implementation of the Stock Option Plans, which in our opinion is the greatest risk for the Company in the area of human resources. If we can no longer continue to use methods of attraction and retention based on what makes us special - listing on the stock exchange and the mechanisms for sharing the value thus generated, the only alternative will be to enter the global battle for human resources with nothing to offer but money. Although we believe this scenario is not the most appropriate and may, in fact, strongly affect the Company's profitability, we estimate that it has a high probability of materializing, taking into account the current legal obligation to have a quorum of 85% for the implementation of SOPs and the large number of shareholders (over 4,000).

### Legislative/regulatory risk

Changes in the legal and tax regime in Romania may affect the economic activity of the Company. Changes related to the adjustments of the Romanian legislation with the regulations of the European Union may affect the legal environment of the Company's business and its financial results. The lack of stable rules, legislation and complicated procedures for obtaining administrative decisions may also restrict the future development of the Company.

Given that the legislation increasingly leaves it to the tax authorities to interpret the application of tax rules, combined with the lack of funds in the state budget and the attempt to raise these funds by any means, we consider this a major risk for the Company, as it cannot be addressed in a preventive and constructive manner.

Also, the difficult process of registering operations to reduce the share capital is a risk that may affect the percentages of allocation of free shares, dilution of some investors to the benefit of others, etc.

### Risk of business capping - loss of technological relevance of solutions

A special case related to the rapid evolution of the IT industry is the trend for each technology to become a mere "commodity", therefore widely spread and widely adopted and well understood by customers. In such a business environment, the added value of reseller companies is very low, and such a scenario leads to lower commercial margins for the lines of business affected by capping. All technologies face this risk as their adoption rate increases. The most eloquent example is Microsoft's licensing business, where most projects are invoiced to customers with very low commercial margins: 0 - 2%. As other technologies gain the same spread and adoption, their resale also becomes unprofitable.

The company aims to position itself as a value advisor and not as a reseller of "commodity boxes". Following technology trends and positioning itself as a 'first mover' helps the Company to be able to offer added value through the services provided (consulting, building technical solutions, installation and implementation, optimizations, maintenance).

### Risk of unfair competition

Capped businesses with low margins are prone to unfair competition, especially through dumping prices. In particular, in Dendrio's business this risk materialises when competitors often offer customers sales prices substantially below the purchase price of those licences. This type of business approach is very difficult and



expensive to demonstrate, but it can cause damage to the Company by losing some contracts or reducing profitability. The company has not identified any solutions to prevent this risk. The Company aims to target new types of customers, as well as customers for whom the added value of solutions is not price discounts but the functionality of the solutions offered. The more widespread and adopted the business line is, the added value that can be offered by an integration partner decreases.

The Company is constantly competing with other players in the IT market and this competition is expected to intensify. High competition may encourage current and potential customers to use the services and products of the Company's competitors and thereby adversely affect the Company's revenues and profitability. Strong competition may result in increased pressure on the Company to price products and services to customers, which may have a significant impact on the Company's ability to increase or maintain profitability. The Company's competitiveness in the current competitive environment depends to a large extent on its ability to quickly adapt to new market developments and trends. To the extent that the Company is unable to compete effectively with its competitors, whether local or international, this may have an adverse effect on its business, financial condition, results of operations and prospects.

### Risk of loss of reputation

Reputational risk is inherent in the Company's business. Its ability to retain and attract new customers depends in part on the Company's brand recognition and its reputation for quality of service. Negative public opinion about the Issuer could result from actual or perceived practices in the IT market in general, such as negligence during the provision of products or services or even from the way the Issuer carries out or is perceived to carry out its activity.

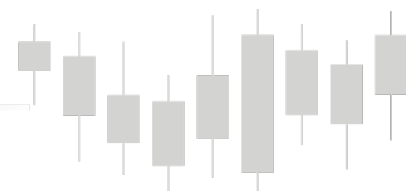
Although the Issuer makes every effort to comply with the regulations in force and to increase the positive perception of customers and potential customers regarding its services, the negative publicity and negative public opinion could affect the Issuer's ability to maintain and attract customers.

### Litigation risk

Over the years, the companies in the Bittnet Group have fulfilled their contractual obligations, and as of the date of this report there have been no disputes initiated by contractual partners. As the group expands and more companies join the group, it is possible that their partners may consider that the new financial position of these group members has become more relevant to be sued.

During 2021, as mandated by the General Meeting of the Shareholders in November 2020, Bittnet requested Anchor Grup – the owner of the building in Bd. Timisoara 26, to extend the office space, under the same contractual conditions, in order to adapt to the new regulations regarding the working space (distancing between people) and to increase the team as a result of M&A transactions. Taking into account that the offer received from Anchor Group was considered as non-compliant, we notified them of the application of the "break-up" clause in the contract, and according to the mandate given by the General Meeting of the Shareholders of 26.11.2020 to the Managing Director, Bittnet Group negotiated with the suppliers present in the market an optimal solution for the development plans at that time.

Following negotiations with various representatives, a new lease agreement was signed with ONE United Properties for a space in the ONE Cotroceni Park (OCP) building, for a period of 5 years, starting on 02.05.2022. The previous lease contract with București Mall Development and Management SRL was unilaterally terminated by Bittnet Systems as of 31.05.2021.



At the date of publication of this report, the Company has a lawsuit filed by the Anchor Group concerning “claims” – described in detail in chapter 18.6. of the 2021 Annual Report (Universal Registration Document). As the court file advances, there is a risk that BNET's profitability may be affected by the establishment of a provision for this dispute.

### Credit risk

The credit risk is the risk that the debtors of the company will not be able to honour their obligations at maturity due to the deterioration of their financial situation. The company is less exposed to this risk due to the specificity of the products and services sold, which are addressed to companies of certain sizes with a special financial situation.

The company analyses new customers using specialized tools (sites with specific customer creditworthiness analysis) and has a strict procedure for documenting orders and provision of services or delivery of goods.

However, the company has not identified a solution that can completely eliminate credit risk, which is one of the most important risks for a company of our size.

The company also closely monitors the “soft-collection” processes and decides relatively quickly to switch to “hard-collection procedures, which, historically, has brought us success in recovering receivables.

The automated IT systems alert both the sales team and managers to outstanding customers, which are “tracked” by the sales team for 1 month, so that we prioritize maintaining a good business relationship. Instead, after 1 month of unsuccessful efforts, it resorts to involving an experienced lawyer and a positive “track record” in the recovery of claims.

### Counterparty risk

The failure of third parties to perform their obligations to the Company, including in connection with the implementation of certain investment projects contemplated by the Company, or the risk of insolvency in connection therewith, may affect the achievement of the Company's business objectives, or the Company's business or financial condition and, therefore, its ability to meet its obligations under the Bonds.

A specific example is the situation in which companies from the Issuer's group participate in public procurement procedures, and suppliers do not fulfil their assumed obligations. This scenario may result in the issuance of a “negative certificate” on behalf of the company that participated in the public tender procedure, which would mean exclusion from other procedures in the future, thus eliminating a potential to generate revenues.

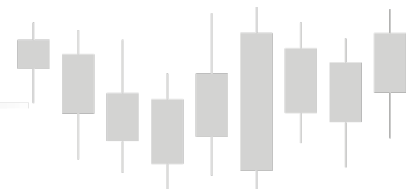
### Risk associated with interest rates

The company is exposed to the risk of increasing the interest rate, having contracted loans and loans. Any increase in the interest rate will be reflected in the increase in financial costs. The Company continuously monitors the market situation to forecast interest rate risk and keeps in touch with as many credit institutions as possible in order to ensure “arbitrage” between their offers.

In previous years, the company has carried out fixed interest bond offers and subsequently redeemed some of them. Three bond issues are due during 2023. During 2023, the Issuer is expected to refinance part or all of these bond issues, and there is a risk of borrowing at higher interest rates, depending on the economic environment at the time of the transactions. The bank financing has fully variable interest rates, such as “ROBOR + a margin”, which further exposes us to the risk of interest rate fluctuations. The company is constantly in contact with bank financial institutions to improve the financing structure.



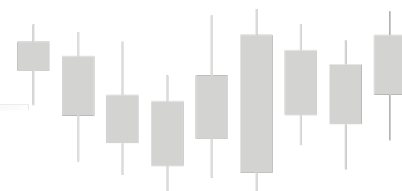
The weighted cost of borrowed capital is approximately 8% per year. We believe that the next financial period (2023 - 2024) will be a period in which having fixed the price of borrowed capital will be a competitive advantage.



## Annex 1 – Alternative performance indicators

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

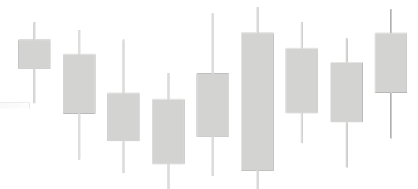
Indicator	Definition/Calculation method	Why is it relevant?
<b>Operating profit</b>	<p>It is about the profit of the core business of serving customers.</p> <p>It takes into consideration all the incomes and expenses related to the current business and does not take into consideration the financial incomes and expenses, or those related to the holding-type business (of the group).</p> <p>It is calculated by taking out of each business line results the income and expenses items (cash or non-cash) that are not related to the current business.</p> <p>The most significant adjustments (differences between gross profit and operating profit) are:</p> <ol style="list-style-type: none"> <li>1. Elimination of the Financial Result (adding to the Gross Profit the financial expenses and subtracting the financial income);</li> <li>2. Non-cash IFRS adjustment elimination, related to the Stock Option Plan;</li> <li>3. Elimination of Other Income and Other Expenditure items (non-recurring items not related to the core business).</li> </ol>	<p>Operational business (“known as ‘current’ or ‘core’”) means the company businesses.</p> <p>This measures the performance and the business activity compared to the competition, regardless of the taxation environment, the reporting accounting framework or the company financing method (the mix of equity and loans, maintenance costs of the stock exchange, etc.).</p> <p>In other words, this is the result that the company (or each business segment) would have if it operated as a fully self-funded company (from shareholders' equity).</p>
<b>Gross Margin, or Margin</b> <i>(In English “Gross Margin” / “GM”)</i>	<p>The formula for calculating this indicator is: Revenues MINUS Direct Expenses. Thus, the expenses directly related to those projects (obtaining those revenues) is subtracted from the invoices issued to clients. For the software license resale projects, we buy a license for RON 90 and resell it to the client for RON 100. The difference is the Gross Margin.</p> <p>If we invoice a client for implementation services for a cloud project, the Gross Margin is the difference between the Revenue billed to the client and the Cost for man-hours required for implementation, regardless of whether the engineer performing the implementation is a Bittnet employee or subcontractor.</p>	<p>This indicator is the “GDP” of the company, the added value we produce for our partners.</p> <p>This indicator reflects both the value we bring to customers and the amount of money we have available to cover fixed costs.</p>



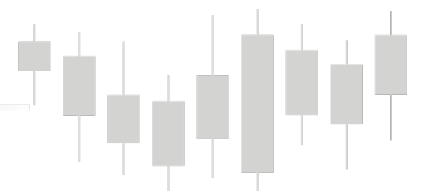


## Annex 2 - Indicators according to Annex 13 Reg. ASF 5/2018

Indicator (calculation formula)	31/03/2023	31/03/2022
Current liquidity indicator (Current assets /current liabilities)	1.21	1.56
Indebtedness indicator (Net TL liabilities / Equity) x 100	42%	62%
Debt Turnover - Customers (Average customer balance / Turnover) x 90 days	84 days	80 days
Turnover speed of fixed assets (Turnover/Fixed assets)	0.52	0.58



Interim financial statements (not audited)



BITTNET SYSTEMS SA

INTERIM CONSOLIDATED FINANCIAL STATEMENTS,  
UNAUDITED,

Prepared in accordance with  
Order of the Minister of Public Finance  
no. 2844/2016, as amended,  
for 3 months ended  
31 March 2023

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**BITTNET SYSTEMS SA**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

for 3 months 2023, ended 31 March 2023  
(all the amounts shall be expressed in RON, unless otherwise provided)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>31 March 2023</b>	<b>31 March 2022</b>
		correct
Revenues from contracts with customers	53,559,644	32,848,836
Cost of sales	(44,975,914)	(26,353,086)
<b>Gross margin</b>	<b>8,583,730</b>	<b>6,495,750</b>
Other revenues	686,441	164,634
Sales expenses	(3,892,148)	(2,779,344)
General and administrative expenses	(8,029,197)	(4,239,399)
	(93,591)	(79,919)
Profit/(loss) – Investments accounted for using the equity method	(12,633)	(28,046)
Financial revenues	1,052,005	(2,292,335)
Financial expenses	(1,613,690)	(815,673)
<b>Gross profit</b>	<b>(3,319,083)</b>	<b>(3,574,332)</b>
Income tax	577,795	234,777
<b>Net Profit, of which:</b>	<b>(2,741,289)</b>	<b>(3,339,555)</b>
related to the parent company	(2,844,360)	(3,905,980)
related to minority interests	103,071	566,425
<b>Net Profit</b>	<b>(2,741,289)</b>	<b>(3,339,555)</b>
Other comprehensive income	-	-
<b>Total comprehensive result</b>	<b>(2,741,289)</b>	<b>(3,339,555)</b>
related to the parent company	(2,844,360)	(3,905,980)
related to minority interests	103,071	566,425

The interim consolidated financial report from page [3] to page [6] was approved and signed on May 10, 2023

Mihai Logofatu  
CEO

Adrian Stanescu  
CFO

**BITTNET SYSTEMS SA**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

for 3 months 2023, ended 31 March 2023

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	31 March 2023	31 December 2022
<b>ASSETS</b>		
<b>Fixed assets</b>		
Goodwill	57,528,189	57,528,189
Other intangible assets	9,004,073	9,077,001
Property, plant and equipment	29,016,535	27,808,467
Investments accounted for using the equity method	2,906,308	2,918,940
Other financial fixed assets	2,620,043	2,426,167
Deferred tax	2,038,134	1,271,824
<b>Total fixed assets</b>	<b>103,113,283</b>	<b>101,030,589</b>
<b>Current assets</b>		
Inventories	11,745,967	2,777,973
Trade receivables and other receivables	53,375,655	60,697,390
Financial assets at fair value	14,788,483	13,790,384
Cash and cash equivalents	43,034,218	42,300,365
<b>Total current assets</b>	<b>122,944,323</b>	<b>119,566,112</b>
<b>TOTAL ASSETS</b>	<b>226,057,606</b>	<b>220,596,701</b>
<b>EQUITY AND DEBTS</b>		
Share capital	63,417,671	52,848,060
Share premium	31,934,768	9,738,583
Other equity items	(11,269,652)	(11,390,433)
Reserves	1,324,823	1,324,823
Retained earnings	(1,694,572)	1,149,789
<b>Capital related to the parent company</b>	<b>83,713,039</b>	<b>53,670,822</b>
Non-controlling interests	3,927,014	3,823,943
<b>Total equity and reserves</b>	<b>87,640,053</b>	<b>57,494,765</b>
<b>Long-term debts</b>		
Bonds	9,619,766	9,609,806
Bank loans	7,876,122	11,166,109
Leasing liabilities	19,910,392	19,290,728
Long-term debts	-	-
<b>Total long-term debts</b>	<b>37,406,280</b>	<b>40,066,644</b>
<b>Current debts</b>		
Bonds	14,587,876	25,194,352
Bank loans	12,013,076	13,998,791
Leasing liabilities	5,085,674	4,693,525
Dividends payable	500,942	500,942
Profit tax liabilities	397,788	284,250
Trade payables and other debts	68,425,918	78,363,431
<b>Total current debts</b>	<b>101,011,274</b>	<b>123,035,292</b>
<b>Total debts</b>	<b>138,417,553</b>	<b>163,101,936</b>
<b>TOTAL EQUITY AND DEBTS</b>	<b>226,057,606</b>	<b>220,596,701</b>

**BITTNET SYSTEMS SA**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

for 3 months 2023, ended 31 March 2023

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

**CONSOLIDATED CASH FLOW STATEMENT**

	31 March 2023	31 March 2022
<b>Gross profit</b>	<b>(3,319,083)</b>	<b>(3,574,332)</b>
Adjustments for:		
Depreciation expenses	1,810,373	559,166
Expenses with assets	4,240	-
Benefits granted to employees SOP	175,330	332,831
Adjustments for impairment of receivables	93,591	79,919
Interest expenses and other financial costs	1,140,941	807,307
Interest revenues and other financial revenues	299,023	38,049
Securities investment gains	(998,099)	2,301,516
Gain from investments accounted for using the equity method	12,633	28,046
<b>Operating profit before working capital change</b>	<b>(781,051)</b>	<b>572,501</b>
Variation of receivables account balances	7,485,871	(2,017,015)
Variation of stock account balances	(8,967,993)	(126,948)
Variation of accounts payable balances	144,589	(663,447)
<b>Cash generated from operation</b>	<b>(2,118,584)</b>	<b>(2,234,909)</b>
Profit tax paid	(74,978)	9,404
<b>Net cash from operating activities</b>	<b>(2,193,562)</b>	<b>(2,225,505)</b>
<b>Investment activities:</b>		
Payments for the purchase of subsidiaries, +/- purchased cash	(6,240,758)	(4,012,742)
Payments for the purchase of participating interests	(841,345)	-
Loans granted to related entities	(450,000)	-
Acquisitions of tangible and intangible assets	(962,859)	(253,302)
Proceeds from other financial investments	-	4,631,071
Dividends collected	-	21,520
Interest collected	52,303	3,264
<b>Net cash from investment activities</b>	<b>(8,442,659)</b>	<b>389,812</b>
<b>Financing activities:</b>		
Proceeds from share issue	29,711,247	-
Repurchases/sales of own shares	-	55,400
Drawdowns from bank loans	(5,275,703)	(779,491)
Receipts/reimbursements from the bond issue	(10,000,000)	-
Payments of leasing liabilities	(1,328,011)	(180,424)
Interest paid	(1,737,458)	(1,115,658)
Dividends paid related to minority interests	-	(204,270)
<b>Net cash from financing activities</b>	<b>11,370,075</b>	<b>(2,224,443)</b>
<b>Net increase in cash and cash equivalents</b>	<b>733,853</b>	<b>(4,060,137)</b>

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Cash and cash equivalents at the beginning of the financial year	42,300,365	23,403,197
<b>Cash and cash equivalents at the end of the financial year</b>	<b>43,034,218</b>	<b>19,343,060</b>

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The interim consolidated financial report from page [1] to page [6] was approved and signed on May 10, 2023

Mihai Logofatu  
CEO

Adrian Stanescu  
CFO



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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital	Issue premiums	Other equity items	Legal reserves	Reported result	Equity – Total	Noncontrol interests	Share capital - Total
<b>31 december 2021</b>	<b>48,043,690</b>	<b>14,542,953</b>	<b>(19,082,504)</b>	<b>1,114,139</b>	<b>6,179,360</b>	<b>51,337,639</b>	<b>1,164,851</b>	<b>52,502,490</b>
Net profit	-	-	-	-	(3,905,980)	(3,905,980)	566,425	(3,339,555)
Other elements of the overall result	-	-	-	-	-	-	-	-
<b>Result – Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,905,970)</b>	<b>(3,905,980)</b>	<b>566,425</b>	<b>(3,339,555)</b>
<i>Transactions with shareholders</i>	-	-	-	-	-	-	-	-
Share capital increase	-	-	-	-	-	-	-	10,412,024
Benefits granted to SOP employees	-	-	332,831	-	-	332,831	-	332,831
Dividend distribution	-	-	-	-	-	-	(655,750)	(655,750)
Distribution of the legal reserve	-	-	-	179,754	(179,754)	-	-	-
<b>31 march 2022</b>	<b>48,043,690</b>	<b>14,542,953</b>	<b>(18,749,672)</b>	<b>1,293,894</b>	<b>2,633,626</b>		<b>1,075,526</b>	<b>48,840,016</b>

	Capital social	Prime de emisiune	Other equity items	Legal reserves	Rezultat reportat	Total capitaluri	Interese care nu contoleaza	Total capitaluri proprii
<b>31 december 2022</b>	<b>52,848,060</b>	<b>9,738,583</b>	<b>(11,390,433)</b>	<b>1,324,823</b>	<b>1,149,789</b>	<b>53,670,822</b>	<b>3,823,943</b>	<b>57,494,765</b>
Net profit	-	-	-	-	(2,844,360)	(2,844,360)	103,071	(2,741,289)
Other elements of the overall result	-	-	-	-	-	-	-	-
<b>Result – Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,844,360)</b>	<b>(2,844,360)</b>	<b>103,071</b>	<b>(2,741,289)</b>

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<i>Transactions with shareholders</i>	-	-	-	-	-	-	-	-
Share capital increase	10,569,612	22,196,185	(54,550)	-	-	32,711,247	-	32,711,247
Benefits granted to SOP employees	-	-	175,330	-	-	175,330	-	175,330
Dividends	-	-	-	-	-	-	-	-
Distribution of the legal reserve	-	-	-	-	-	-	-	-
<b>31 march 2023</b>	<b>63,417,671</b>	<b>31,934,768</b>	<b>(11,269,652)</b>	<b>1,324,823</b>	<b>(1,694,572)</b>	<b>83,713,039</b>	<b>3,927,014</b>	<b>87,640,053</b>

The interim consolidated financial report from page [1] to page [6] was approved and signed on May 10, 2023

Mihai Logofatu, CEO

Adrian Stanescu, CFO

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**NOTA 1. GENERAL INFORMATION**

**Group structure and operational activities**

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

	<u>31 March 2023</u>	<u>31 December 2022</u>
<b>SUBSIDIARIES - % ownership</b>		
Dendrio Solutions	88.001%	88.001%
Elian Solutions	51.02%	51.02%
Equatorial Gaming	98.99%	98.99%
Equatorial Training, through Equatorial Gaming	100%	100%
Computer Learning Center	100%	100%
ISEC Associates	69.992%	69.992%
IT Prepared	50.2%	50.2%
Nenos Software	60.97%	60.97%
Nonlinear	60%	60%
Global Resolution Experts	60%	60%
GRX Advisory, through Global Resolution Experts	60%	60%
Top Tech, 46% through Dendrio Solutions	86%	86%
zNET Computer, through Dendrio Solutions	100%	100%
<b>MINORITY INTERESTS</b>		
E-Learning Company	23%	23%

The Group has over 400 employees and collaborators, who work for one of the 14 companies included in the group (Bittnet Systems, Dendrio Solutions, Elian Solutions, Equatorial Gaming, Equatorial Training, Computer Learning Center, ISEC Associates, IT Prepared, Nenos Software, Nonlinear, Global Resolution Experts, GRX Advisory, Top Tech, zNET Computer).

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

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**Bittnet Systems S.A.**

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

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

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

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

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

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

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

- **Technology** - which is focused on IT integration services, offering integration solutions previously offered by both **Bittnet**, **Dendrio** and **Elian**. This activity has a shared portfolio of products, services and solutions and a larger team that will allow a greater volume of work, both technically and in terms of sales.

Starting with June 2020, Bittnet shares (symbol: BNET) have been listed on the Regulated Market of BVB.

**Dendrio Solutions**

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

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

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

In June 2022, Bittnet Systems announced that an institutional investor was co-opted in the shareholding of Dendrio Solutions SRL. The operation was carried out by selling an 11.999% stake in Dendrio to the investment fund Agista Investments for the amount of RON 7,499,982.76. Considering the transaction price, the market valuation of the IT&C integrator is RON 62.5 million.

With the addition of Agista as a shareholder, Dendrio starts the road to capital market either through a private placement or an initial public offer at BSE, or through a merger procedure with a company listed on a regulated market or on a multilateral system of trading from a member country of the European Union.

### **Elian Solutions**

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

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

### **Equatorial Gaming**

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

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

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

### **Computer Learning Center & ISEC Associates**

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

The acquisition price for 100% of Computer Learning Center (CLC) is RON 725,000, amount settled in 2 installments: the first installment, of RON 225,000, was paid by payment order during August 2021, and the

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second installment - worth RON 500,000, conditional upon eliminating from the CLC patrimony the assets that were not relevant for the company's current activity - was paid in January 2022.

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

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

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

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

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

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

### **IT Prepared**

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

- The first installment, of USD 265,200, was paid in RON immediately after signing the share sale-purchase contract, by payment order to the two founding shareholders of IT Prepared;
- Installment 2: According to the SPA, the second installment of this m&a transaction, in amount of USD 368,290 (the updated amount following the closing of IT Prepared's financial statements on 31.12.2021), would have been paid to the founders of IT Prepared by settlement in BNET shares in – a capital increase operation. In March 2023, the two parties agreed to sign an additional act to the SPA, through which they established that the payment of Tranche 2 should be made in cash, by bank transfer in the national currency. Following the bank transfers, in March 2023, Installment 2 is considered fully paid.
- Installment 3: in amount of RON 1,078,768 (the updated amount following the closing of IT Prepared's financial statements on 31.12.2022), will be paid to the founders of IT Prepared, in cash, until 30.06.2023.

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

#### **Nenos Software & Nonlinear**

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

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

- 50% of the transaction price (i.e. the amount of RON 2,425,000) was paid via bank transfer in the account of the sole shareholder of Nenos Software;
- According to SPA, 50% of the transaction value would have been settled by allocation of BNET shares in a capital increase operation. In March 2023, the parties agreed to sign an additional act to the sale-purchase contract of social shares, 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 purchasing 60% in Nonlinear SRL, the price of the transaction is RON 120 and is equal to the face value of the equity interests assigned. Nonlinear in 2020 had a turnover of RON 392,442 and a net profit of RON 115,018, having 4 software developers employed.

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

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

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

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

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

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

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

GRX and GRX-A were consolidated in the financial statements from 31.12.2021 only at balance sheet level.

### **Top Tech**

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

After the closing at the beginning of September 2022 and the registration at Trade Register of the new shareholding structure, Dendrio Solutions SRL owns 60% of Top Tech, and Bittnet Systems SA 40%. The total value of the transaction price is RON 12,874,306, of which RON 5,000,000 (installment 2) would be settled in BNET shares in a capital increase operation; the cash component, worth RON 7,874,306 (installment 1), was paid in full in September 2022. In March 2023, the two parties signed an additional act to the SPA by which they agreed that the RON 2,000,000.11, related to installment 2, to be paid in cash by bank transfer, and the amount of RON 2,999,999.89 to be converted into BNET shares in the capital increase operation in Q1, 2023. The bank transfer was carried out in March 2023 and the shares allocation in April 2023.

In December 2022, Bittnet Systems announced the co-optation of the Agista Investment fund into the Top Tech shareholding. The transaction was realized through the sale by the daughter company Dendrio Solutions SRL of a number 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 Top Tech shareholding structure is as follows: Bittnet Systems owns 160 shares, representing 40% of Top Tech, and Dendrio Solutions SRL owns a number of 184 shares, representing 46% of Top Tech. Top Tech was consolidated in the financial statements starting from October 2022.

### **2NET Computer**

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



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5,241,931, the amount paid in full in September 2022. zNet Computer SRL was consolidated in the financial statements starting from October 2022.

**The E-Learning Company S.A.**

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

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

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

- the first installment of RON 850,000 was fully paid in cash, the amount of RON 450,000 during Q1/2021, and the rest in April 2021. Bittnet management made the decision to fully pay the installment 1 in cash, given that in the long period of processing the operation of share offsetting operation to founders of the previous M&A transactions - the acquisition of 25% in Softbinator and 99% in Equatorial Gaming.
- The second installment in the amount of RON 1,682,690 (calculated after financial statements on 31.12.2021) was paid 50% in cash in April 2022, and the remaining 50% would have been paid to the founders of E-Learning Company by settling in BNET shares in an operation to increase the social capital. In March 2023, the two parties signed an additional act to the SPA, by which they established that the remaining 50% of the value of installment 2 should be paid in cash, by payment order.

The exact price of the transaction and the allocation between cash and compensation by BNET shares will be made depending on the fulfillment of certain profitability indicators that ELC aims to obtain for the financial year 2021. The number of shares for the partial offsetting of the second installment will be determined in accordance with the provisions of art. 210(2) of Law no. 31/1990 and Articles 87-88 of Law no. 24/2017 on issuers of financial instruments and market operations and Article 174 of the FSA Regulation no. 5/2018. As a result of the investment contract, Bittnet has allocated a position in the Board of Directors of E-Learning Company, a position that will be occupied by Ivylon Management SRL through Logofatu Cristian. Bittnet has decided to participate in ELC in order to reach certain minimum profitability limits, which is why, in the coming years, the distribution of dividends will be pursued, so that Bittnet can achieve a return of at least 18% annually provided that ELC to achieve a degree of profitability at least equal to this percentage.

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

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### **The Group's Management**

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

- 1) **Ivylon Management SRL** by **Mihai Alexandru Constantin Logofatu**. At 31.03.2023, Mihai Logofatu holds a number of 57.870.621 shares, representing 10.66% of the share capital and voting rights. Mihai Logofatu is the co-founder of Bittnet Systems.
- 2) **Cristian Ion Logofatu**, who owns a number of 53.461.971 shares, which represents 10.14%, at 31.03.2023, of the share capital and voting rights. Cristian Logofatu is the co-founder of Bittnet Systems.

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

- 3) **Anghel Lucian Claudiu** – independent manager, who holds a number of 5.468.395 shares of the Issuer, i.e. a percentage of 1.13% of the voting rights.

The operational management of Bittnet Systems is provided by: **Mihai Logofatu** – CEO and cofounder and **Adrian Stanescu** – CFO, together with **Cristian Herghelegiu** – VP for Technologies, who joined the executive team with the acquisition Gecad Net – and **Dan Berceanu**, 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. **Berceanu** 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.

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**NOTA 2. BASIS OF THE FINANCIAL STATEMENTS**

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

The consolidated reporting for the 3-month period ending on March 31, 2023 was prepared in accordance with IAS 34 "Interim financial reporting". This reporting does not include all the information and presentations that would be required in a complete set of financial statements according to IFRS and must be read in conjunction with the 2022 annual financial statements.

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

There are a number of standards, amendments to standards and interpretations issued by the IASB that are effective in future accounting periods that the Group has decided not to early adopt. The group is currently evaluating the impact of these new accounting standards and changes, but does not anticipate a significant impact.

b) Continuity of activity

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

Measures adopted

Using technology solutions from the Dendrio portfolio, as of March 2020, approximately 90% of the Bittnet Group team is working from home, without significant interruptions to daily activities. This measure was taken for an indefinite period. If it is necessary for all 100% of the team members to work from home, the Group does not foresee any significant administrative impediment in its day-to-day activity, and the work schedule will continue under conditions as close as possible to the usual schedule.

Business impact

The event that marked the years 2020-2021 is the global Covid-19 pandemic, and the movement and activity restrictions ("lockdowns") imposed by governments in all parts of the world, significantly affecting some industries. This situation could generate a liquidity crisis, as a result of the fears of consumers and companies about a future recession or economic crisis. However, it seems that the monetary measures taken by governments and central banks have given enough confidence to the business environment so that a 'credit crunch' does not occur. The group closely monitors liquidity indicators - conversion of receivables into cash, transactions with customers and suppliers, etc. The effects resulting from this general environment are:

- The worsening of the semiconductor crisis has significantly affected projects that include hardware components. Although in the first quarter and even the first 6 months of 2021 there were moments of recovery in component supply flows (processors/chips), starting from May 2021 this trend entered

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a downward spiral (more information: <https://www.bloomberg.com/news/articles/2021-05-18/wait-for-chip-deliveries-increased-in-sign-shortage-persists> and here: <https://www.bloomberg.com/news/articles/2021-08-23/chip-shortage-set-to-worsen-as-covid-rampages-through-malaysia> ). When will we be able to consider this situation over? Certainly not in the near future: <https://www.bloomberg.com/graphics/2021-chip-production-why-hard-to-make-semiconductors/>

- Human resource pressure – the global pandemic has introduced a flexibility in the way companies contract and interact with employees and collaborators. As more and more global projects are delivered with delocalized resources, geographic location is now only of purely fiscal significance. As a result, Romanian IT companies, including the companies from the group's technology division, face extremely aggressive global competition, in a market where skilled labor is scarce and increasingly mobile .
- The consistent digitization of work processes in the last two years leads to a significant increase in the demand for expertise in the Cybersecurity space. Considering that Dendrio offers a wide spectrum of solutions and services in the cybersecurity area, but also the fact that starting from August 2021 the technology division began to include other companies with exceptional cyber expertise, such as: IT Prepared, Global Resolution Experts ( GRX), or iSec Associates (iSec) – we can consider that at this moment the technology division and the Bittnet group are in an extremely favorable position for the next period.

#### Cyclicality / seasonality of income

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

#### c) Corrections for previous periods

The Group's unaudited interim consolidated financial statements reported for the first quarter of 2022 have been corrected as a result of:

- reanalyzing the principles of recognizing pre-acquisition costs of participation interests (specialized M&A consultancy, financial and legal due-diligence services, legal services, etc.) in accordance with the provisions of the IFRS 3 standard, "Business Combinations";
- 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 the policy included in Note 7 to the consolidated financial statements for the year 2022, the Group has identified 5 categories of

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software licenses that 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 end customers. As such, starting with 31.12.2022, 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.

The effects of the corrections on the results and equity for the first quarter of 2022 are presented in the tables below:

<b>Global Result</b>	<b>Correct</b>	<b>Reported</b>	<b>Difference</b>
Revenues from contracts with clients	32,848,836	33,130,092	(281,256)
Cost of sales	(26,353,086)	(26,634,342)	281,256
Gross margin	6,495,750	6,495,750	-
Other incomes	164,634	164,634	-
Selling costs	(2,779,344)	(2,779,344)	-
Administrative costs	(4,239,399)	(4,239,399)	-
Other expenses	(79,919)	-	(79,919)
Financial result	(3,136,054)	(3,136,054)	-
Tax	234,777	221,990	12,787
Net result correction			<b>(67,132)</b>

<b>Equity</b>	<b>Corectat</b>	<b>Raportat</b>	<b>Diferente</b>
Commercial fund	41,234,676	42,181,893	(947,217)
Deferred tax	611,530	449,227	162,303
Trade receivables and other receivables	34,515,960	35,201,064	(685,105)
Equity correction			<b>(1,470,018)</b>

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**NOTA 3.           SIGNIFICANT EVENTS AND TRANSACTIONS**

The essential estimates and judgments applied in the annual financial statements are continuously evaluated and applied consistently based on historical experience and other factors, including expectations regarding future events that are considered reasonable in the respective circumstances. In the future, actual experience may differ from these estimates and assumptions. Estimates and assumptions that present a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below.

Essential reasoning:

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

Estimates and assumptions:

- Fair value evaluation of financial assets held for sale
- Evaluation of the compensation related to the employee/collaborator loyalty program by offering shares - "SOP";
- Evaluation of adjustments for the depreciation of receivables.

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**NOTA 4. INFORMATION BY ACTIVITY SEGMENTS**

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

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

OPERATIONAL RESULTS	3 months 31 march 2023			3 months 31 march 2022		
	Education	Technolog y	Total	Education	Technolog y	Total
Total revenue	2,783,616	51,881,714 (1,071,906)	54,665,329	4,680,500	28,789,787	33,470,287
Revenue between segments	(33,779)	)	(1,105,685)	(110,817)	(510,634)	(621,451)
Revenues from contracts with customers	2,749,837	50,809,808	53,559,644	4,569,683	28,279,154	32,848,836
<b>Gross margin</b>	<b>1,229,349</b>	<b>7,354,381</b>	<b>8,583,730</b>	<b>1,585,937</b>	<b>4,909,813</b>	<b>6,495,750</b>
Allocated sales costs	(1,204,678)	(2,687,469)	(3,892,148)	(1,117,196)	(1,662,148)	(2,779,344)
<b>Margin, after sales costs</b>	<b>24,671</b>	<b>4,666,911</b>	<b>4,691,582</b>	<b>468,741</b>	<b>3,247,665</b>	<b>3,716,406</b>
Other incomes	-	686,441	686,441	102,831		164,634
Unallocated operating expenses			(8,029,197)			(4,239,399)
Financial income / expenses			(93,591)			(79,919)
<b>Gross result</b>			<b>(574,318)</b>			<b>(3,136,054)</b>

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ASSETS / LIABILITY	31 march 2023			31 december 2022		
	Education	Technology	Total	Education	Technolog y	Total
Active in the segment	71,623,238	154,434,367	226,057,606	61,388,109	157,022,345	218,405,454
Unallocated assets			-			2,191,247
<b>Assets - Total</b>			<b>226,057,606</b>			<b>220,596,701</b>
Debts by segment	15,157,812	103,370,543	118,528,355	28,291,543	131,670,540	159,962,083
Unallocated debts			22,030,927			3,139,853
<b>LIABILITY - Total</b>			<b>140,559,282</b>			<b>163,101,936</b>



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**NOTA 5. CUSTOMER REVENUE**

Revenues from customer contracts are detailed in the following table:

	3 months	
	31 march 2023	31 march 2022
		Correct
Training services	2,749,837	4,569,683
IT integration services	12,854,278	9,361,268
<b>Revenue from the provision of services</b>	<b>15,604,114</b>	<b>13,930,951</b>
Goods for integrating IT solutions	32,051,178	12,698,932
Reselling licenses	5,904,352	6,218,953
<b>Sale of goods</b>	<b>37,955,530</b>	<b>18,917,886</b>
<b>Total</b>	<b>53,559,644</b>	<b>32,848,836</b>

**Training services**

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

**IT solution integration services**

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

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

Revenue from the sale of goods and licenses

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

Geographical income

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

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**NOTA 6. CLASSIFICATION OF EXPENSES**

	3 months	
	31 march 2023	31 march 2022 <b>correct</b>
Goods	30,090,359	11,813,150
Resell licenses	4,348,527	5,106,689
Staff expenditure	10,040,939	4,726,958
Expenses with collaborators	4,955,892	4,006,604
Amortization	1,810,373	559,166
Cloud services	1,205,584	1,208,258
Rent	97,858	227,046
Fees and commissions	154,496	110,980
Advertising	361,626	478,661
Travel and transportation	208,275	30,689
Insurance	91,919	42,630
Postal and telecommunications	81,326	45,460
Donations	136,943	88,168
Receivables adjustments	-	-
Banking fees	56,191	39,786
Services provided by third parties	2,857,443	4,586,856
Other expenses	399,507	300,729
<b>Total operational costs</b>	<b>56,897,259</b>	<b>33,371,830</b>

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**NOTA 7. FINANCIAL INCOME AND EXPENDITURE**

<b>FINANCIAL INCOME</b>	<u>31 mar 2023</u>	<u>31 mar 2022</u>
Interest income	53,906	9,181
Investments income	-	(565,677)
Revenue from securities valuation	998,099	(1,735,839)
<b>Total</b>	<u>1,052,005</u>	<u>(2,292,335)</u>
<b>FINANCIAL EXPENDITURE</b>	<u>31 mar 2023</u>	<u>31 mar 2022</u>
Banking interest	557,260	234,186
Factoring costs	821	1,115
Bonds interest	582,860	572,006
Leasing	346,151	14,269
Net income / expenses difference of course	126,598	(5,903)
<b>Total</b>	<u>1,613,690</u>	<u>815,673</u>

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**NOTA 8. TITLES**

**In equivalance**

	<b>31 mar 2023</b>	<b>31 dec 2022</b>
E-Learning Company	2,906,308	2,918,939
<b>Total</b>	<b>2,906,308</b>	<b>2,918,939</b>

**The E-Learning Company**

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

**Other financial assets (securities) at fair value**

	<b>31 mar 2023</b>	<b>31 dec 2022</b>
Softbinator Technologies	13,004,659	12,308,834
Safetech Innovations	-	-
Arctic Stream	1,783,824	1,481,550
Chromosome Dynamics	-	-
<b>Total</b>	<b>14,788,483</b>	<b>13,790,384</b>

**Softbinator Technologies**

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

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**Softbinator Technologies stock listing (trading symbol: CODE)**

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

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

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

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

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

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operations, Bittnet holds a number of 188,980 shares, representing 18.898% of the total shares of Softbinator Technologies.

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

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

31.03.2023, the investment in Softbinator Technologies shares was revalued using the average trading price on the AeRO market from 31.03.2023.

### **Safetech Innovations**

#### **Fair value**

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

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

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

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

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

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



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## **Arctic Stream**

### **Fair value**

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

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

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

On 29.07.2021, the shares of AST were admitted on the AeRO market at a price approximately 40% higher than that of the private placement. On 31.03.2023, the investment in Arctic Stream shares was revalued using the average trading price on the AeRO market as of 31.03.2023.

## **Chromosome Dynamics**

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

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

Chromosome Dynamics achieved a turnover of almost RON 1 million in 2020 and RON 2.5 million on June 30, 2021; The company develops solutions geared to the needs of farmers in order to process processes. CHRD is the developer of the AGROBAZAR APP application, which models the consulting-sale-purchase process in agribusiness, representing a one stop shop for Romanian farmers. The application provides farmers with consulting in agribusiness, agricultural machinery and inputs - seeds, pesticides, fertilizers so far with over

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10,000 active users. Under the investment agreement, the Bittnet Group will have the first option to deliver technology projects with CHRD.

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

CHRD shares were traded on 05.05.2022 on BVB's AeRO-SMT market. Once listed, the investment in CHRD will be revalued quarterly as a mark-to-market investment ("held for sale") by reference to the average daily trading price at the end of the reporting period.

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.

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**NOTA 9. CAPITAL AND RESERVES**

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

	<b>31 mar 2023</b>	<b>31 dec 2022</b>
Share capital	63,417,671	52,848,060
Share premium	31,934,768	9,738,583
Other equity items	(11,269,652)	(11,390,433)
Legal reserves	1,324,823	1,324,823
Retained earnings	1,149,789	6,508,677
Current comprehensive result	(2,844,360)	(5,358,890)
<b>Total</b>	<b>83,713,039</b>	<b>53,670,822</b>

**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:

<b>Shareholder</b>	<b>31 mar 2023</b>	<b>31 dec 2022</b>
Mihai Logofatu	10.66%	10.85%
Cristian Logofatu	10.14%	10.14%
Other	79.20%	79.01%
<b>Total</b>	<b>100%</b>	<b>100%</b>

*Capital increase – March 2023*

In the first 3 months of the year, a new capital increase operation was successfully carried out, as a result of which Bittnet's capital increased by the amount of RON 32,765,796.89, corresponding to a number of 105,696,119 new shares. Within this financing operation, 96,018,700 new shares were subscribed, through new cash contributions, in the amount of RON 29,765,797 (90.84% of the entire volume of the offer), the difference representing the conversion of receivables resulting from the activity of M&A carried out in recent years. As part of this operation, the Company's management decided to pay the counter value of the receivables resulting from the M&A activity partly in cash and partly by conversion into BNET shares. Thus, following the signing of the additional documents with the Sellers from the M&A transactions, the value of the receivables converted into shares at the price of RON 0.31 was RON 2,999,999.89 and represented the non-cash part of the purchase price of Top Tech SRL. The cash payments made in March 2023 refer to the payment of the consideration of the receivables resulting from the acquisitions of stakes in ITPrepared, The ELearning Company, Nenos Software and Top Tech. Following the procedures necessary to register the new

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share capital and the new number of shares at the Trade Registry Office, the Financial Supervision Authority, the Central Depository and the Bucharest Stock Exchange, the subscribed and paid-up share capital of Bittnet Systems SA is RON 63,417,671.40 , related to a number of 634,176,714 ordinary shares.

*Capital increase with free shares – July 2022*

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

**Significant estimates - SOP measurement**

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

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

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

**SOP2020A and SOP2020B – SOP2020**

By Decision no. 3 of the OMS of January 29, 2020 were voted:

- an incentive plan with options for key persons, with a number of options equal to 0.5% of the total number of shares, annually, of each member of the Board of Directors with the exception of the president of the Board of Directors; and
- the inclusion in the incentive plan with options of key persons, with a number of options equal to 0.75% of the total number of shares, annually, of the president of the Board of Directors.

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Additionally, by Decision no. 5 of the GMS of April 29, 2020, the Company's shareholders voted for an incentive plan with options for key persons with a duration of 2 years, in the amount of a maximum of 5% of the Company's total shares.

Within this incentive plan, 24 key persons notified the company regarding the purchase of a total number of 40,428,754 BNET shares according to the option contracts concluded within the incentive plans "SOP2020A" and "SOP2020B" approved by the above EGMS Decisions mentioned, hereinafter collectively referred to as "SOP2020". The exercise price of the options under SOP2020 was calculated, according to the approved incentive plans, taking as reference the market capitalization from 31.12.2019 for SOP2020A, i.e. the value of 113,000,000 RON, respectively the market capitalization from 21.04. 2020, for SOP2020B, i.e. the value of 101,445,399 RON.

Thus, the resulting strike price is 0.235203 lei/share for SOP2020A, respectively 0.211152 lei/share for SOP2020B. Considering that the sums of money that should have been paid by the key persons to the company on account of the shares acquired under SOP2020 by exercising the options could have been paid by various methods, one of them being the sale in the market of a part representing the equivalent of approximately 65% of the shares that are the subject of SOP2020, and this additional volume could have unbalanced the balance between demand and supply, the Group's management made the decision that the 24 key people should be paid in shares the economic value of the options within the incentive program, i.e. a number of 26,020,845 shares.

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

#### **SOP2021**

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

#### **SOP2022**

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

#### **SOP 2023-2026 (Long-Term Incentive Plan through Participation in the Company's Capital)**

By Decision no. 11 of the AGEA of April 27, 2023, the shareholders approved an incentive plan for key people based on options for participation in the company's capital. Compared to the previous incentive plans, this one assumes a duration of 3 years and a value of 7.5% of the total shares of the Company

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**NOTA 10. BONDS**

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

	<u>31 mar 2023</u>	<u>31 dec 2023</u>
BNET23	4,694,709	4,690,017
BNET23A	9,656,418	9,639,901
BNET23C	-	9,991,667
Interest	9,619,766	9,609,806
	<u>236,749</u>	<u>872,768</u>
<b>Total:</b>		
Long term	<u>24,207,642</u>	<u>34,804,159</u>
Short term (interest)	<u>9,619,766</u>	<u>9,609,806</u>

The Group conducted in 2016, 2017, 2018 and 2022 offers of bonds with maturities in 2019, 2022 and 2023 and 2026 obtaining from the capital market a 'binding' financing of over 30 million RON (all issues are listed on BVB).

**BNET23**

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

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

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

**BNET23A**

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

BNET23A bonds have a maturity of 5 years, a fixed interest rate of 9% per year, payable semi-annually and the allocation date was 28 December 2018. The Group used the amounts attracted within the BNET23A

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issue to finance the IT&C business transfer from Crescendo International SRL and its integration into the Bittnet Group structure, as approved by the Extraordinary General Meeting of Shareholders on 17 December 2018 and the investment contract described in the Current Report 22/15.10.2018.

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

**BNET23C**

On 01/23/2023, Bittnet repaid the principal loan (face value) at maturity through the BNET23C bond issue. According to the Memorandum of admission to trading on the SMT-Bonds market of BVB, the redemption price was 100% of the nominal value of the issue, i.e. 10,000,000 lei, The registration date for the identification of the bondholders who benefited from the redemption of the nominal value was 16.01.2023, and the Redemption Payment Date was 01/23/2023. The last trading session for BNET23C bonds was 12.01.2023. In addition to the repayment of the nominal value, the distribution of the last half-yearly coupon to the bondholders, coupon 8, with the same reference and payment data, was carried out.

**BNET26E**

Between December 21 and 27, 2022, the issuer carried out a sale offer through private placement of an issue of corporate bonds, denominated in euros, in which 20,596 bonds were subscribed by 53 natural, legal and professional investors. The amount raised after this round of bond financing is 1,961,144 eur. The nominal value of the instrument is EUR 100/bond, and the total value of the issue is EUR 2,059,600. The annual coupon is 9% and will be paid quarterly through the T2S mechanism and the Central Depository. The repayment of the nominal value is in 3.5 years and will take place on 30.06.2026. BNET26E bonds are traded on the BVB Regulated Market, the category dedicated to corporate bonds, starting with 03.07.2023.

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**NOTA 11. BANK LOANS**

Details regarding bank loans are presented in the following table:

	<u>31 mar 2023</u>	<u>31 dec 2022</u>
ProCredit credite TL (BNET & DEND)	1,198,848	1,795,128
ProCredit linie 4.5 mil. (DEND)	4,500,000	4,500,000
BT credit investitii (DEND)	7,931,144	9,621,839
BT linie 1.6 mil. EUR (DEND)	3,483,333	4,620,807
ING linie 2 mil. (DEND)	-	-
Raiffeisen IMM invest (EQG)	46,680	93,360
Raiffeisen IMM Invest (2NET)	1,353,448	1,822,660
BRD IMM Invest (TT)	1,375,744	2,711,107
<b>Total, din care:</b>	<b>19,889,198</b>	<b>25,164,901</b>
Partea pe termen lung	7,876,122	11,166,109
Partea pe termen scurt	12,013,076	13,998,791

The group's bank lending structure is mainly made up of revolving overdrafts aimed at short-term financing of specific projects. As of the date of this report, the Group has credits for financing current activity, both in national currency and in euro, in the amount of RON 20 million at the following financial institutions: ProCredit Bank, Banca Transilvania, Raiffeisen Bank, BRD and Unicredit Bank, as well as two products of the type of non-cash ceilings for the issuance of various types of bank guarantee letters, in the total amount of 4.6 million RON, contracted from Procredit Bank and Banca Transilvania.



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**NOTA 12. 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:

	3 luni incheiate la:	
	<u>31 mar 2023</u>	<u>31 mar 2022</u>
Management	231,279	223,976
SOP	33,748	156,532
<b>Total</b>	<u><b>265,027</b></u>	<u><b>380,508</b></u>
<b>Datorii</b>	<u><b>31 mar 2023</b></u>	<u><b>31 dec 2022</b></u>
Key person	77,093	87,093
<b>Total</b>	<u><b>77,093</b></u>	<u><b>87,093</b></u>
<b>Creante si imprumuturi</b>	<u><b>31 mar 2023</b></u>	<u><b>31 dec 2022</b></u>
E-Learning Company – imprumut principal	450,000	-
E-Learning Company – dobanda	1,603	-
<b>Total</b>	<u><b>451,603</b></u>	<u><b>-</b></u>

The loan for E-Learning Company was granted for a period of 3 years, with an interest rate of 10% per year. The loan was repaid in full (principal+interest) in May 2023.

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**NOTA 13.       EVENTS AFTER THE REPORTING PERIOD**

**I.           M&A transaction with Dataware**

At the end of April, the Competition Council sent to the Company an information according to which no inadvertences were found at the level of competition legislation, and the Authorization Decision will be sent as soon as possible. The closing of the transaction is subject to both the approval of the Competition Council and certain conditions precedent for this type of acquisition. The file for obtaining the approval of economic non-concentration was submitted to the Competition Council in the 1st quarter, and we estimate that the completion of the transaction will take place in the first semester of 2023.

**II.          O&EGMS – 27.04.2023**

In addition to the points specific to an annual AGM, namely the approval of the individual and consolidated financial statements for the year 2022, the discharge of the Board of Directors or the approval of the Budget for the year 2023, on the agenda was also the proposal regarding the expansion of the Board of Directors to 5 members, having considering the current size of the Group and the new shareholding structure. The two new CA members approved by the shareholders during the AGM of April 27, are Dynamic Data Drawings S.R.L., represented by Anca Manițiu and Rudolf Vizental. On the agenda were several technical points regarding the updating of the Company's Constitutive Act, as well as the approval of a capital increase operation with the issuance of preferential shares.

All the points on the OGMS and EGMS agenda were approved by the shareholders, except AGEA point 5 where the quorum required to submit the item to debate and vote was not met.

**III.         New shareholder structure**

Following the capital increase operation completed in March 2023, Impetum Investments, the investment division of Impetum Group and the investment fund in the process of authorization Agista entered the shareholding of Bittnet Group, thus becoming the largest shareholders of the Company, with a holding of about 30%. Thus, through the two anchor investors, the company is making the transition from a pure retail shareholder to a more institutional one.

**IV.         Signing of a non-cash banking product for guarantee letters with Procredit Bank**

On 04.05.2023, the Issuer informed the shareholders about the contracting of a banking product by Dendrio Solutions SRL from Procredit Bank for the establishment of bank guarantees. The total value of the non-cash ceiling is 2,300,000 RON and the product's validity period is 36 months. The product is intended for the issuance of various types of SGBs (guarantee letters for participation in bidding procedures; guarantee letters for good execution for commercial contracts where the client requests this). Dendrio will use this banking product in order not to immobilize its own cash in issuing SGBs.