

Q3'23

10 November 2023

Bittnet Group

Quarterly Report

Quarter 3 report according to	ANNEX no. 13 to the ASF REGULATION no. 5/2018
For the financial year	01.01.2023 - 30.09.2023
Report date	10 November 2023
Name of the company	BITTNET SYSTEMS S.A.
Registered office	44 Sergent Ion Nuțu street, ONE COTROCENI PARK, Building A & B, 4th floor, District 5, Bucharest
Mail address/operating premises	44 Sergent Ion Nuțu street, ONE COTROCENI PARK, Building A & B, 4th floor, District 5, Bucharest
Telephone/fax	021.527.16.00 / 021.527.16.98
Unique registration code at the Trade Register Office	21181848
Trade Register registration number	J40/3752/2007
The regulated market on which the issued securities are traded	Regulated Market managed by Bucharest Stock Exchange, Standard Category
Paid-in and subscribed share capital	63.417.671,40 RON
The main characteristics of securities issued by the company	634.176.714 shares with face value 0.1 lei –BNET 97.037 bonds with face value 100 lei –BNET23A 20.596 bonds with face value 100 euro - BNET26E 50.000 bonds with face value 100 lei –BNET27A
Trading Symbol	BNET – shares, BNET23A, BNET26E, BNET27A – bonds
Shares ISIN code	ROBNETACNOR1
Contact	investors@bittnet.ro

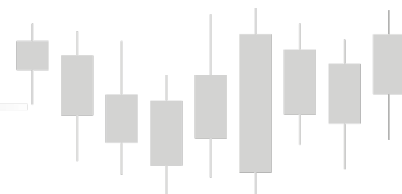
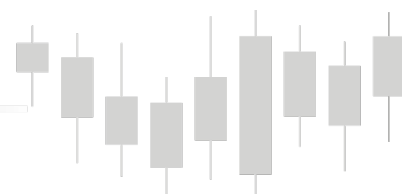


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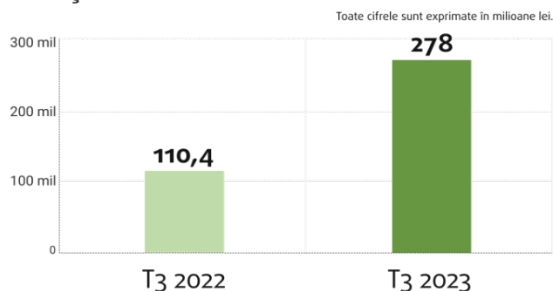


Letter from the CEO

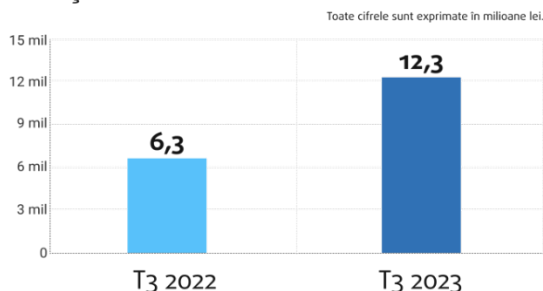
The financial figures for Bittnet Group at 9 months look as follows: the operational profit returned to positive territory to RON 5.7 million (compared to a loss of nearly 1 million ron in first half of 2023). Total revenue reached to RON 278 million with a gross margin of RON 44 million and EBITDA 12.3 million.

The non-operational result (one-off and financial) shows a loss of RON 7.8 million vs RON 9.2 million last year. Thus, the gross profit at September 2023 is a loss of RON 2 million vs a loss of RON 4.3 million in September 2022.

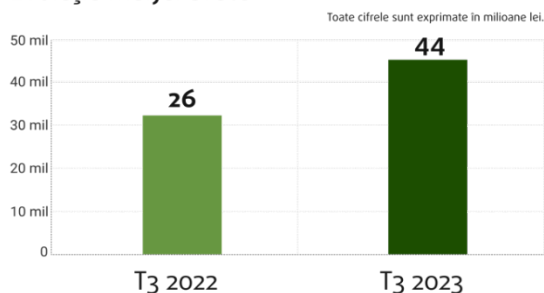
Evoluția Cifrei de Afaceri



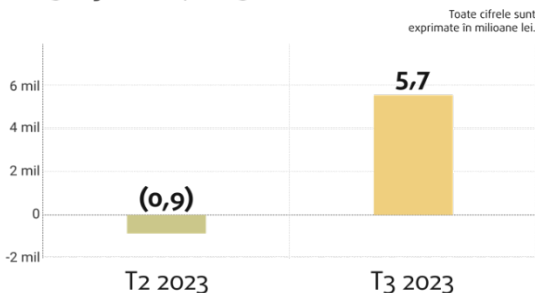
Evoluție EBITDA



Evoluția Marjei Brute



Evoluția Profitului Operațional în T3 față de T2, 2023

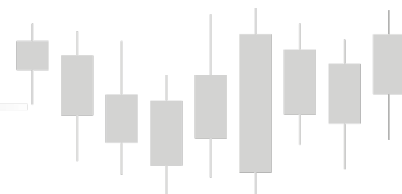


*million RON

The results we have achieved are not entirely satisfying, but they are a reflection of our constant efforts to improve efficiency. They show a positive trend: the result indicators (EBITDA, Operational Profit) are more than double compared to previous period, which gives us confidence that we can finish this year with a significantly higher profitability than last year.

From the existing pipeline as we recorded at end of June (RON 185 million) in Q3 we already delivered projects of over RON 130 million and we continued to build new pipeline both for the end of this year and for 2024. Thus, for Q4, the projects that we have under implementation is over RON 100 million in revenue, with a gross margin of RON 20 million and EBITDA of RON 9 million.

The results of the 4 business pillars (**Education**, **Cloud& Infrastructure**, **Cybersecurity**, **Platforms& software**) show different developments, each with different opportunities and challenges, leading to different measures that we have applied and continue in each company's case.



In these 9 months **Cloud & Infrastructure pillar** has shown the best evolution, with revenue growth being easily obtained – more than triple compared to September 2022, and the operational profit being four times higher – nearly RON 10 million. On the other hand, **Education pillar** was the most affected by the challenging of economic environment: a one-third reduction in revenue and gross margins led to an operational loss of RON -4.8 million.

The **Cybersecurity** pillar has shown very good progress, recording revenues and operational profits comparable to previous year (RON 12 million in revenue and RON 2 million in operational profit), with significant business transformation intended to generate recurring revenues with greater added value. However, these transformations 'shift' a part of the current year's revenues into the future.

Regarding **Platforms and Software pillar**, the developments of the two companies differ: while Nenos was affected, like the entire software developers' market (a 25% decrease in turnover, placing the company at an operational loss at 9 months), Elian has seen a 50% increase in turnover, enabling it to record the same profit as the previous year.

The year 2023 is a tough year in business – major technology companies in the USA have drastically reduced teams and invested budgets, something that 'cascades' across the entire global IT service economy, including in Romania. The Romanian economic environment is additionally affected by numerous events causing uncertainty and difficulties. In this unfavorable environment, it might not have been the best idea to aim for increased efficiency and profitability to consolidate our business at this scale.

In this context, perhaps it was not the most inspired choice to aim for profitability at this scale of business. As a positive thing sales efficiency increased significantly, each 1 ron invested in sales and marketing activities bringing almost 21 ron of sales (as opposed to 12 ron in the previous period) and administrative expenses decreased by 20% as a percentage of revenues. In monetary terms this generated a doubling of EBITDA.

Other indicators we measure, providing hope for the end of 2023: cash flow and inventory. In the first 9 months, we generated a cash flow from operations similar to the comparable period in 2022 (7 million ron), while bond issuance and capital increase allowed us to grow threefold the amounts invested in asset acquisitions and M&A (RON 9 million in 2022 / RON 27 million in 2023). We repaid RON 24.4 million in loans (bank and bonds) and ended September with RON 30 million in cash (10 million more than September 2022).



Inventories have returned to a value in line with historical approaches – 7.3 million ron, representing 5% of current assets – and trade payables are covered to the extent of 1.07 times by trade receivables, once again in line with historical values.

We made it clear that we are not abandoning the desire to grow, but subordinated to this idea: the goal of becoming more profitable, with a level of operational profitability appropriate for our industry.

We are very attentive to the significant changes taking place in the world of technology at the moment, with a particular focus on the field of Artificial Intelligence (AI) which this year has surpassed several milestones. We are already exploring these innovations and actively integrating them into our internal processes. We have also expanded strategic partnerships, such as with Microsoft or Cisco, to make the most of the potential of AI in all aspects of our business.

We are optimistic about the progress made so far and have a strong financial situation that allows us to continue on the path of increasing profitability.

As always, we are available for any questions at investors@bittnet.ro.

Mihai Logofătu,

Founder and CEO of Bittnet Group



Mihai Logofatu
Chief Executive Officer



Description of the financial results

Operational results

BNET GROUP	30.Sep.23	30.Sep.22	Evolutie
Revenue from Customers	278,097,832	110,465,157	151.8%
Services	62,480,205	46,097,924	35.5%
Solutions Resell	215,617,627	64,367,234	235.0%
Cost of Goods Sold	234,029,837	84,164,817	
Hardware / Software	194,610,969	53,754,673	262.0%
cloud	3,628,741	3,997,495	-9.2%
Man-Hours	35,790,127	26,412,649	35.5%
Gross Margin	44,067,995	26,300,340	67.6%
Other Revenues	4,761,399	1,247,920	281.5%
Selling Expenses	13,255,319	9,108,067	45.5%
Man-Hours	10,925,602	7,499,700	45.7%
Marketing	2,329,717	1,608,367	44.8%
Administrative expenses	29,732,678	14,831,198	100.5%
(of which)			
Man-Hours	12,563,197	5,765,259	117.9%
Amortization	6,477,562	2,768,979	133.9%
Other third party services	4,433,443	2,999,685	47.8%
Operational profit (excl. one-offs)	5,710,781	3,525,313	59.8%
EBIT	5,841,396	3,608,995	61.9%
EBITDA	12,318,958	6,377,974	93.1%

The revenue growth in IT solutions is naturally faster than the growth in services revenue because it doesn't depend on the group's human resources and generates a smaller percentage in gross margin, despite being significantly higher in monetary value than the previous period. Of course, the monetary value is relevant because the fixed part of the company's costs is expressed in RON, not in percentages – a 260% increase in the IT solutions margin brings an additional RON 11 million compared to the previous year.

The continuous growth in service revenues complements the income from solutions, with more than half of the generated gross margin coming from IT services.

Sales and distribution expenses have seen a 46% increase, mainly due to the expansion of the consolidation perimeter. Simultaneously, sales efficiency has significantly increased, with nearly RON 21 in sales generated for every lei invested in sales and marketing activities (compared to RON 12 in the previous period).

Administrative expenses have doubled compared to 2022, explained predominantly by three-quarters due to the expansion of the consolidation perimeter. Out of this difference, 17% is represented by the added depreciation from the acquired companies. This is significant because in previous years, our group operated with insignificant fixed assets of its own, and the depreciation recorded was almost entirely a cash expense, following IFRS16. The substantial non-cash added depreciation recorded by the newly acquired companies entirely explains why the EBITDA indicator for the entire year shows



values perfectly in line with the budget, while the Operational Profit, despite a significant increase, is lower than the budgeted amount.

One-Offs results, financial and gross profit

The operational profit recorded at 9 months shows 60% increase compared to previous year: 5.7 million ron in September 2023, vs 3,5 million ron in September 2022.

Additionally to the four business units, the group records expenses of common activities at the 'holding' level, ensuring financing through market mechanisms, estimated expenses according to IFRS standards, as well as income or expenses related to "mark to market" investments (companies where we do not hold 20% of the voting rights). During the first 9 months of the current year the results are as follows:

BNET GROUP	30.Sep.23	30.Sep.22	Evolution
EBITDA	12,318,958	6,377,974	93.1%
Operational Profit (excluding one-offs)	5,710,781	3,525,313	59.8%
One-off result	130,615	(1,372,813)	109%
EBIT	5,841,396	3,608,995	61.9%
SOP Adjustment	(758,650)	(715,051)	6.1%
Pre-M&A Costs	(308,516)	(1,022,711)	-69.8%
Gain/Loss from equity securities	(80,425)	117,796	168.3%
Securities evaluation income/expenses	(1,808,764)	(2,864,694)	36.9%
Other financial income	322,380	(578,344)	155.7%
Financial expenses	(5,276,528)	(2,832,847)	86.3%
Gross Profit	(2,069,106)	(4,286,857)	51.7%

From the difference between the Operating Profit and the Ggross profit, RON 2.6 million are non-cash adjustments, and RON 5.2 million are actually financial expenses. Last year, 3.6 million out of 9.2 million ron difference were non-cash adjustments, and the remaining RON 5.6 million were actually paid expenses.

The gross profit shows an improvement of RON 2.2 million compared to similar period in 2022 and RON 3.4 million compared to H1 2023; however, it remains negative with a gross loss of RON 2 million.



Key Aspects of the Consolidated Financial Position

The following elements are worth mentioning in the analysis of the dynamics of the group's financial situation compared to the previous year:

1. RON 16 million increase in equity is attributed to consolidation in financials of Dataware investment.
2. The increase in tangible (fixed) assets is due to: the adjustment of the market values of TopTech and 2Net assets from the date of consolidation; the rent indexation according to contract, and the entry into consolidation perimeter of Dataware assets.
3. 108% rise in trade receivables aligns with the business growth. The ratio between trade receivables and trade payables has returned to historical values: a coverage rate of 1.07x. Simultaneously, the inventory position has reverted to a value in line with historical approaches, as described in the paragraphs of the HY Report.
4. The cash position (RON 30 million) is RON 10 million higher than September 2022, despite repaying bank loans of RON 10 million and bonds of RON 14 million during this period, and making payments for asset acquisitions (including M&A) worth RON 25 million.
5. 64.7% of the financial liabilities at September 30 are long-term, and we aim that through a new bond issuance by the year-end, this value will be around 80%.
6. Equity (net asset value) continues its significantly positive trend (from RON 52 million to RON 93 million). A significant part – RON 29 million – comes from the capital increase operation in March.

Consolidated cash flow situation - key elements:

Throughout the analyzed period, we managed the cash flow from operations at a level similar to the previous year, with current activities generating 7 million ron.

Financing activities involved raising of RON 34.25 million from the sale of shares (capital increase) and RON 4.9 million from bonds, offset by the redemption of approximately RON 14.7 million in bonds, repayment of bank loans of RON 9.8 million, and interest of RON 4.4 million – resulting in a net cash of RON 6.4 million from financing.

Utilizing these two sources of financing along with a portion of the company's cash, we made acquisitions of fixed assets of RON 2.8 million and related M&A expenses totaling RON 22.7 million.

At the end of the period, the cash position stands at RON 30.3 million, which is +10 million more than in September 2022 and 12 million less than January 1, 2023.



Trailing Twelve Months Presentation

	Q3 2022	Trailing 12M Q3 2023	% Change
Revenue from Customer Contracts	138,331,836	359,789,164	160.09%
Cost of Sales	(105,503,305)	(299,277,288)	183.67%
Gross Margin	32,828,532	60,511,877	84.33%
Other Income	1,869,585	6,994,938	274.14%
Sales/Distribution Expenses	(12,116,523)	(17,940,583)	48.07%
Administrative Expenses	(17,804,795)	(39,010,689)	119.10%
EBITDA	7,545,778	17,033,104	125.73%
EBIT	4,776,799	10,555,542	120.98%
One-off Result	598,384	73,104	-87.78%
Operational Profit (excluding one-offs)	4,178,414	10,482,438	150.87%
SOP Expenses	(1,047,883)	(934,370)	-10.83%
Pre-M&A Costs	(2,575,113)	(936,626)	63.63%
Impairment goodwill	-	(495,000)	-
Gain/(loss) from equity securities	234,900	75,409	-67.90%
Financial Income	1,507,562	(1,363,828)	-190.47%
Financial Expenses	(3,350,138)	(6,752,562)	101.56%
Gross Profit	(453,873)	148,565	-132.73%
Tax on Profit	489,193	405,979	-17.01%
Net Profit, from which:	(943,066)	(257,414)	-72.70%
Net Profit attributable to parent company	(3,885,172)	(4,312,425)	11.00%
Minority Interests	2,942,106	4,055,011	37.83%

Indicators according to FSA Annex 13

Indicator	30.09.2023	30.09.2022	30.09.2021	30.09.2020
Current Liquidity Ratio	1.22	1.01	2.11	1.6
Debt Ratio	63%	36%	66%	55%
Accounts Receivable Turnover (Days)	96	105	92	100
Fixed Asset Turnover Ratio	2.22	1.19	1.76	2.26



Intragroup Transactions

In the natural course of operating the core business, but also due to the group's structure, there are various commercial transactions between the companies within the group. In general, we try to keep these transactions to a minimum, but we do not refrain from delivering relevant solutions to our customers if they generate intra-group transactions. In the first 3 quarters, the situation of intra-group transactions is as follows (obviously, the only relevant figures are generated by the group's activities/holding). The amounts are in RON.

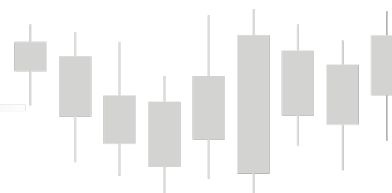
Compania	BNET	CLC	DND	ELIAN	EQG	EQT	GRX	GRXA	ISEC	OPTI	NENO	NONL	TT	2NET	DW
BITTNET SYSTEMS SA		110,498	2,092,631	512,709	107,330	14,778	1,064,806	113,182	51,456	213,016	2,467		5,507		
Licenses			96,959												
Administrative expenses			98,148	67,890	8,615		11,226			8,391	1,228		5,359		
HQ invoiceing		90,920	1,652,659	388,936	80,410	12,123	101,742	92,533	30,807	160,314	1,239		148		
Rent		19,578	216,529	55,884	18,305	2,656	28,438	20,649	20,649	23,023					
Training			28,336												
Dividend							923,400			21,288					
DENDRIO SOLUTIONS S.R.L.	90,398			36,272	16,198		5,433	19,585		3,136			144,605	189	
Licenses				22,082										2,792	
Administrative expenses	11,613			3,843			4,172	19,585		2,691					
Administrative expenses	41,512			445			1,261			445			149,535	2,981	
Training	4,262														
IT Support				9,902	16,198								4,931		
COGS	33,011														
ELIAN SOLUTIONS SRL	59,210		283,268				3,944						291,734	181,699	
Licenses	53,311												54,576	3,379	
IT Support	5,900		283,268				3,944						237,158	178,319	
EQUATORIAL GAMING S.A.	90,071	992	57,988	62,938			496	8,547		8,818	3,206		33,894	5,643	24,427
Administrative expenses	1,161		7,941	2,538									7,654		
Administrative expense	21,283		27,281	17,092				8,547		6,174	3,206		26,240	4,488	9,059
Training	67,627	992	22,766	43,308			496			2,644				1,155	15,368
GLOBAL RESOLUTION EXPERTS S.A.			112,538					1,981,360							
IT support			112,538												
Dividend								1,981,360							
GRX ADVISORY S.R.L.			4,413												
IT support			4,413												
ITPREPARED SRL	39,620		1,360,516	23,828										4,468	
IT support	39,620		1,360,516	23,828										4,468	
NENOS SOFTWARE SRL												121,998			
Administrative expenses												1,998			



Compania	BNET	CLC	DND	ELIAN	EQG	EQT	GRX	GRXA	ISEC	OPTI	NENO	NONL	TT	2NET	DW
IT support												120,000			
TOP TECH SRL			708,151	9,928				9,928		9,928					
IT support			708,151	9,928				9,928		9,928					
2NET COMPUTER														56,385	
IT support														56,385	
Grand Total	279,301	111,490	4,619,505	645,675	123,528	14,778	1,074,678	2,132,601	51,456	234,899	5,673	121,998	242,915	191,621	24,427

On September 30, intragroup balances were:

Row Labels	BNET	CLC	DEND	ELIAN	EQG	EQT	GRX-A	ISEC	OPTI	NONL	TT	2NET	DW	GRX	ELC
BITTNET SYSTEMS SA	2,170,020	29,841,072	2,945,698	1,063,586	198,651	541,749	469,137	891,870			69,596	9,881	1,795,886	1,559,584	474,164
Alte creante/Alte datorii				577,292	448,696									923,400	
Creante clienți/Furnizori		142,303	2,212,005	258,558	160,194	20,854	21,600	60,179	15,204		69,596	9,881	14,453	116,035	
Loans granted	1,536,824		22,073,130			112,345		245,328							474,164
Sublease	490,893	5,555,938	2,109,848	454,697	65,452	520,149	163,631	876,666					1,781,433	520,149	
COMPUTER LEARNING CENTER SRL													16,103		
Creante clienți/Furnizori													16,103		
DENDRIO SOLUTIONS S.R.L.	53,559			25,156	28,707						-291,075	-30,069		1,343	598
Creante clienți/Furnizori	53,559			25,156	28,707						-291,075	-30,069		1,343	598
ELIAN SOLUTIONS SRL			398,826											945	
Creante clienți/Furnizori			398,826											945	
EQUATORIAL GAMING S.A.	1,184		3,552						592					1,377	17,707
Creante clienți/Furnizori	1,184		3,552						592					1,377	17,707
ITPREPARED SRL	14,800		824,487	9,472											
Creante clienți/Furnizori	14,800		824,487	9,472											
NENOS SOFTWARE SRL															
Creante clienți/Furnizori															
TOP TECH SRL	1,447		3,606											266	
Creante clienți/Furnizori	1,447		3,606											266	
FORT S.A.			90,658				131,360								
Alte creante/Alte datorii							131,360								
Creante clienți/Furnizori			90,658												
Grand Total	70,991	2,170,020	31,162,201	2,980,326	1,092,293	198,651	673,109	469,137	892,462	35,700	-203,719	17,577	1,829,696	1,561,872	474,762



Group's Structure at September 30th

The current structure of the Group comprises 15 companies within the consolidation perimeter, organized into 10 commercial brands.

1. The **Education** pillar is composed of Bittnet Training (operating commercially under Bittnet Systems SA, the group's parent company, and the entity listed on BVB); Computer Learning Center; Equatorial Gaming & Equatorial Training; The eLearning Company*)
2. The **Cloud & Infrastructure** pillar contains the companies Dendrio Solutions, Dataware Consulting, Top Tech, 2Net Computer, Optimizor (formerly ITPrepared)
3. The **Cybersecurity** pillar is represented by Fort (the pillar consists of Fort SA - formerly Global Resolution Experts - and GRX Advisory - owned by Global Resolution Experts. The pillar is complemented by ISEC Associates - to be owned by Fort SA).
4. The **Platforms & Software** pillar is currently comprised of the companies Elian Solutions, Nenos Software & Nonlinear.

Starting from Q3 2023, Bittnet Group will present comparative financial results broken down into each of the 4 pillars (Education , Cloud& Infrastructure, Cybersecurity, Platforms& software).

Key Events in Q3 2023

Presentation of the significant events that have occurred during the relevant period and their impact on the financial position of the issuer and its subsidiaries.

Education pillar

In Q3, we consolidated our efforts to streamline every expenditure. Some global companies that conducted massive layoffs have a presence in Romania, and a part of them have downscaled their operations in the country. These changes have significantly impacted the IT training market, leading to a dramatic decrease in demand.

Under these conditions, we attracted 50,800 new users to the Bittnet Training platform in Q3, an increase vs previous year. Among these, we qualified 68 leads with an associated value of EUR 281,000 of which sales teams have already ,closed' EUR 30,000.

We improve our portfolio by incorporating training programs certified by Mile2, the Linux Professional Institute, and Offensive Security. Furthermore, we introduced 12 new courses focusing on Artificial Intelligence and Machine Learning. We have also developed a subscription and membership zone, offering our customers collections of videos designed to add value to our deliveries.

In outbound activities, we concluded Q3 with a total of 67 qualified sales leads. These leads have generated projects worth EUR 40,000 in the first 9 months of the year. Additionally, we secured 357 WON projects from 68 active clients in amount of 2.01 million euro. 76% of these revenues come from

the IT & telcom vertical. These are positive signs that our sales and marketing processes are effective, instilling confidence for the next year.

In the fourth quarter, our actions will focus on closing the projects we have in discussions, out of a total of 333 open projects valued at 1.7 million euro. We will continue to concentrate on the IT & telcom vertical.

At Equatorial, by the end of the third quarter, we have closed projects worth EUR 187,000 and the pipeline projects amount to EUR 430,000 (including bid projects that, if they are won, will be delivered by 2025). We concentrated on generating new leads, adding 2 new business verticals to address: Financial-Banking and Production.

An essential change, given the future EU recovery funds, is the establishment of a dedicated Public Sector & Financing team. This team's role is to identify public tenders in the training sector, EU-funded projects aimed at basic and advanced digital competency training. Through the team's efforts, we've developed proposals and won training projects worth 420,000 euro.

Financial Results for the Business Unit: Education

Category	30.Sep.23	30.Sep.22	Change
Revenue from customer contracts	8,092,315	15,436,018	-47.6%
Services	8,092,315	15,436,018	-47.6%
Sales of goods			
Cost of sales	4,084,312	8,987,942	-54.6%
Goods/materials	219,546	394,447	-44.3%
Cloud services			
Labor hours	3,864,767	8,593,495	-55.0%
Gross margin	4,008,003	6,448,075	-37.8%
Other revenue	189,701	128,238	47.9%
Sales/distribution expenses	3,400,101	3,042,003	11.8%
Labor hours	2,876,931	2,435,294	18.1%
Advertising	523,169	606,709	-13.8%
Administrative expenses	5,622,739	3,256,261	72.7%
Labor hours	2,926,726	1,298,120	125.5%
Depreciation	1,281,682	1,073,388	19.4%
Other third-party services	871,236	646,303	34.8%
Miscellaneous	237,853	190,828	24.6%
Operational profit (w/o one-offs)	(4,825,136)	278,049	-1835.4%
EBIT	(4,825,136)	278,049	-1835.4%

Note: Figures are in local currency – RON.

Cloud & Infrastructure

The group's Cloud & infrastructure activities have been the center of our focus this quarter. This is the pillar that most influences the group's performance.

For **Dendrio**, the main focus during this period has been on streamlining team resources and administrative expenses, alongside efforts to attract new clients:

- We've consolidated pre-sales and bid teams and laid the groundwork for a 7% reduction in operational costs starting in Q4 2023.
- We've continued the efforts to generate a pipeline for Q4 and 2024, resulting in over 600 leads and over 30 opportunities.

Projects:

We launched a new product, Backup as a Service (BaaS) in AWS, which will be able to generate recurring revenue for medium and large customers. We have completed 9 major projects and have delivered 11 more large projects that will be completed in Q4 2023. We have signed 2 significant 3-year framework contracts and are in the evaluation phase on 2 significant offers following the participation report. Last but not least, we signed a contract (with values between 50k – 1 million euro) with 16 customers.

Plans for Q4:

In Q4, we'll focus on developing operational efficiency, emphasizing service integration in all hardware projects. This priority is crucial for consolidating and optimizing our activities, ensuring more efficient resource utilization and an attractive offer for our clients. Integrating services into hardware projects aims to provide comprehensive and integrated solutions to our clients.

Regarding of **Dataware**, Q3 brought the completion of two projects with non-reimbursable funds, we implemented the procedures and operational platforms according to the corporate governance of the group and launched a scholarship in memory of a colleague lost in the pandemic.

Projects:

1. Project "Innovation through a customized e-learning solution within the IT&C cluster "Dunărea de Jos, P.O.C. Axis 2.2.1., project code SMIS129817." This project created a learning and in-depth solution for Mathematics adhering to educational programs approved by the Ministry of Education - the EDSPLAIN platform - www.edsplain.ro.
2. ElectricUP Project - Non-refundable financing contract no. 2289 of 27.04.2022. According to the connection certificate issued by Electric Energy Distribution Romania Galați and submitted by Dataware to the platform owned by the Ministry of Economy, Energy and Business Environment (MEEMA), the maximum simultaneous power that can be evacuated is 30.00 kW, and the maximum simultaneous power that can be absorbed from the network is 69 kW.

3. Liviu Grecu Memorial Scholarship. This scholarship (launched in memory of our colleague lost during the pandemic) will offer the beneficiary the opportunity to improve their IT skills and knowledge, covering the cost of IT courses at Bittnet Training, worth 5000 euros.

Plans for Q4:

In the Q4 we plan to complete all projects that can be finalized this year and simultaneously prepare for the future by laying the groundwork for 2024/2025. We concentrate on consolidating relationships with our clients and partners by organizing dedicated events. Completing ongoing projects is essential to fulfill the financial results promised to shareholders, while simultaneously laying the groundwork for the future and planning for the years 2024 and 2025. This means we are developing strategies and plans to guide our medium and long-term evolution. This planning process helps us ensure we are prepared for industry changes and ensures continuous growth.

For **TopTech**, the company faced two significant challenges in Q3. The first was to deliver the services and protect margins and maintain competitiveness. The second was dealing with an increased number of ongoing projects.

To accelerate services, TopTech faced growing pressures to provide high-quality services but in a shorter timeframe. This was necessary to safeguard the company's margins and stay competitive. The TopTech team worked intensively to enhance operational processes and find efficient solutions to deliver services faster and more efficiently. We managed to retain over 90% of experienced employees, indicating their commitment and satisfaction. Also, we have hired a new Development Director, focusing on significant projects with high margins to boost sales.

Plans for Q4:

The year-end target is a gross margin of at least 22% and a focus on recurring services. The pipeline for Q4 is substantial (over 45 million ron), putting pressure on delivery before 31.12.

In Q3, **Optimizor** expanded its portfolio with two new clients for managed services, winning a significant project for implementing security and operating system management solutions, with the option to convert this project into Managed Services. They have also developed independent products to deliver to their clients.

Plans for Q4:

We're in advanced negotiations to expand our business with an existing client, potentially becoming our largest Managed Services client in Romania. Additionally, we plan to increase revenues from our existing clients starting next year.

The internationalization process has started with creating presentations for western european clients, receiving positive feedback on initial meetings. In our Q4 plans, we aim to approach at least 100 new clients outside Romania and sign at least 3 contracts for Managed Services.

For **2NET**, ongoing activity follows a known pattern ("business as usual"), with increased focus on opening and successfully closing sales opportunities. The team is currently addressing a pipeline of over 2.5 million euro.

Financial results for the Cloud & Infrastructure business unit:

	30 Sep 2023	30 Sep 2022	Evolution
Revenue from customer contracts	242,931,721	72,935,361	233,1%
Service provision	36,485,602	14,473,793	152,1%
Goods sales	206,446,119	58,461,568	253,1%
Cost of sales	208,948,198	61,234,285	241,2%
Goods/materials	187,192,581	48,989,787	282,1%
Cloud services	3,628,741	3,997,495	9,2%
Man-hours	18,126,876	8,247,002	119,8%
Gross margin	33,983,523	11,701,077	190,4%
Other revenues	1,199,403	302,944	295,9%
Sales/distribution expenses	8,124,965	5,236,669	55,2%
Man-hours	6,999,639	4,407,617	58,8%
Advertising	1,125,237	829,052	35,7%
Administrative expenses	17,091,814	5,994,258	185,1%
Man-hours	7,430,714	2,841,865	161,5%
Depreciation	3,943,289	911,044	332,8%
Other third-party services	2,252,023	1,103,948	104%
Miscellaneous	1,050,801	496,452	111,7%
Operational profit (without one-offs)	9,835,531	740,662	
EBIT	9,966,146	773,094	

These figures represent financial data for Cloud & Infrastructure business units on September 30, 2023, and September 30, 2022.

Cybersecurity - Fort

In the third quarter, cybersecurity projects involving the delivery of solutions under Managed Security Services (MSS) continued to be a key focus for Fort. We closed a contract to provide a continuous scanning and testing solution for vulnerabilities associated with IT infrastructures. The initial contract spans 6 months, with the possibility of extension based on achieved results. This endeavor provides our clients with a monthly subscription for a robust web application security solution, accompanied by specific configuration, maintenance, and security incident response services. The implemented system is completely redundant and ensures application security, even in the event of transfer to a disaster recovery center.

With our international expansion in mind, we entered into a strategic partnership with an IT consulting company in Singapore. The purpose of this partnership is to collaborate in a subcontracting capacity for services provided by Fort, as well as conduct joint marketing and sales activities, aiming to develop joint projects with significant added value. Additionally, our efforts to identify potential clients in Western Europe have generated over 20 meetings in Q3, and with two of these prospects, we are in the process of preparing offers. With regards to these prospects, our aim is to finalize at least one contract in the fourth quarter.

Own IP-Product in Insurance, using AI

Simultaneously, the research project funded through non-repayable funds, based on innovative artificial intelligence solutions, continued to develop and has produced its first tangible results. At present, the IT system can automatically recognize vehicle brands and models and can predict their value. The recognition process occurs in real-time using a mobile phone camera.

Fort Financial Results snapshot

Simplified P&L	Sep 30, 2023 FORT	Sep 30, 2023 (Project)	Sep 30, 2022 FORT	Sep 30, 2022 (Project)	Growth
Revenues	12,089,277	-	10,424,159	-	16.0%
Service Delivery	8,382,693	-	7,745,498	-	8.2%
Goods Sold	3,706,585	-	2,678,661	-	38.4%
Cost of Sales	7,853,096	2,425,156	6,485,779	-	-21.1%
Cost of Goods Sold	3,756,661	-	2,326,600	-	61.5%
Labor Costs	4,096,435	2,425,156	4,159,179	-	-1.5%
Gross Margin	4,236,181	(2,425,156)	3,938,380	-	7.6%
Other Income	23,083	2,082,424	14,862	-	55.3%
Sales/Distribution	531,200	2,969	235,636	200	125.4%
Expenses					
Labor Costs	298,077	-	230,671	-	29.2%
Advertising	233,123	2,969	4,965	200	4595.3%
Administrative	1,438,758	230,436	1,317,602	200,453	9.2%
Expenses					
Labor Costs	738,955	112,971	436,959	84,953	69.1%
Depreciation	261,340	55,949	165,510	-	57.9%
Other Third-party Services	203,528	68,282	254,545	115,500	-
Miscellaneous	49,833	2,141	45,454	-	9.6%
Operating Profit	2,298,215	(585,044)	2,400,004	(200,653)	-4.2%
Gross Profit	2,298,215	(585,044)	2,400,004	(200,653)	-4.2%

Balance Sheet Items	Sep 30, 2023 FORT	Sep 30, 2023 (Project)	Sep 30, 2022 FORT	Sep 30, 2022 (Project)	Growth
Accounts Receivable	3,347,231	4,251,288	1,639,705		104.1%
Accounts Payable	2,166,443	3,118,611	1,988,767		8.9%
Cash and Equivalents	1,321,352	-	1,654,404		-20.1%
Project Debt (Group Financing)	-	-	-		
Total Equity	3,268,304	-	1,583,102		106.5%

Please note that some of the values in the table appear to be marked as „Project“ or „Projected Amounts“, which suggests that they might be estimates or forecasts. The „Growth“ column represents the percentage change.

Platforms & Software pillar

Elian: We continued our consistent growth trajectory, focusing on strengthening the project management department. By the end of Q3, we successfully established a department consisting of 3 project managers who will oversee Elian's projects. Additionally, we aimed to create a Power BI consulting and specialist department in response to the increasingly complex requirements from our portfolio clients, especially in the reporting area.

Another major project initiated by Elian's team is the development of an offline solution for sales order acquisition (SFA - Sales Force Automation). This project is ongoing, and we estimate its completion in the first quarter of 2024. We started developing this solution in Q3 in response to customers' difficulties due to lack of internet connectivity in certain areas, such as order acquisition in the agricultural sector.

Q4 Plans:

- Extending Elian's presence beyond Romania by collaborating with a specialized company to promote Elian's solutions and services in various EU countries like Spain, Denmark, the Netherlands, Norway, Portugal, Belgium, and Italy. Additionally, they aim to enter the US market.
- Other objectives include team consolidation, participation in PNRR-funded projects, strengthening the textile production solution, and expanding partnerships for waste sorting, treatment, and recycling solutions.

Nenos / Nonlinear: In this quarter, we invested in expanding and strengthening our team, focusing on developing competencies and delivering high-quality software solutions for our clients. Our team dedicated efforts to enhancing skills by participating in training courses related to Software Architecture and UI/UX Design. Moreover, we continued organizing knowledge-sharing sessions within our team to share expertise and technology.

Nenos Academy has fostered an environment conducive to our students' development, encouraging questions and collaboration. Graduates of the academy return eagerly to join our team, including as junior members in our Web and Python teams. We take pride in supporting talented young individuals in launching their programming careers with us.

New Products: Recently, we initiated collaboration with Dendrio's team to develop a mixed solution aimed at Dendrio's standard clients, called "Deduplicator." This solution optimizes the identification and

elimination of duplicate files, simplifying their management. Compatible with platforms like SharePoint and various cloud services, this application represents an intelligent and efficient solution for file management in organizations.

Platforms & Software - Financial Results

Here are the financial details for the Platforms & Software business unit:

Metrics	30.Sep.23	30.Sep.22	Change
Revenue from customer contracts	14,984,519	11,669,619	28.4%
Service provision	9,519,596	8,442,615	12.8%
Goods sold	5,464,923	3,227,005	69.3%
Cost of sales	10,719,075	7,456,811	43.7%
Goods/materials	3,442,181	2,043,839	68.4%
Cloud services	-	-	-
Labor costs	7,276,895	5,412,972	34.4%
Gross margin	4,265,444	4,212,808	1.2%
Other income	27,459	81,374	-66.3%
Selling/distribution expenses	818,076	430,021	90.2%
Labor costs	560,408	312,639	79.3%
Advertising expenses	257,668	117,382	119.5%
Administrative expenses	2,659,056	2,081,029	27.8%
Labor costs	951,274	861,826	10.4%
Depreciation	480,723	332,785	44.5%
Other third-party services	516,910	299,507	72.6%
Miscellaneous	226,413	218,331	3.7%
Operating profit (excluding one-offs)	815,770	1,783,133	-54.3%

Group Costs

These are the allocated costs for the group, excluding day-to-day operational flows generated by the current activities of the companies within the consolidation perimeter. The group also incurs specific expenses related to holding organization, M&A activities, or costs associated with maintaining financial instruments traded on the Bucharest Stock Exchange (BVB).

Costs	30.Sep.23	30.Sep.22
Other income	1,239,329	720,503
Selling/distribution expenses	378,008	163,538
Labor costs	190,547	113,479
Advertising expenses	187,461	50,059
Administrative expenses	3,757,042	3,719,359
Labor costs	1,161,206	956,586
Depreciation	454,578	286,252
Other third-party services	521,464	579,881
Miscellaneous	1,062,395	673,021
Operating profit (excluding one-offs)	(3,102,576)	(3,213,644)
EBIT (Earnings Before Interest & Taxes)	(2,895,721)	(3,162,394)

These figures represent the specific costs attributed to the group for September 30, 2023, and September 30, 2022, focusing on expenses that are not directly associated with the day-to-day operational activities of the companies but rather associated with group-related activities.

Redemption of BNET23 Bonds

On June 14, 2023, Bittnet informed investors about the redemption of the corporate bonds series BNET23 issued in July 2018. The registration date for identifying the bondholders entitled to redemption was June 29, 2023, and the payment date was July 5, 2023. The last trading session for redemption was on June 27, 2023. Additionally, the final quarterly coupon (Coupon 21) was paid separately to bondholders on the same reference and payment dates.

Payment of Coupons in Q3

On July 15, 2023, the Issuer made the payment of the 9th coupon for BNET23A bonds. The payment was processed through the Central Depository and Banca Comercială Română – as paying agent – to bondholders registered in the Bondholders Registry on the reference date of July 3, 2023.

On September 29, 2023, Bittnet paid the 3rd coupon related to the Euro-denominated BNET26E bonds. The payment was processed through the Central Depository and the T2S system to bondholders registered in the Bondholders Registry on the reference date of September 15, 2023.

On September 26, 2023, the Issuer paid the first coupon associated with the bonds issued on June 26, 2023, trading symbol BNET27A. The payment was processed through the Central Depository and Banca Transilvania – acting as the paying agent – to bondholders registered in the Bondholders Registry on the reference date of September 19, 2023.

Other significant events in Q3:

- [Listing of BNET27A Bonds](#)
- [Extension of credit lines](#)
- Significant Contract Signings:
 - [4 Aug 2023 – Dataware](#)
 - [30 Aug. 2023 – TopTech](#)
 - [6 Sept 2023 – Dendrio](#)
 - [18 Sept 2023 – Dataware](#)
- [O&EGMS of October 30, 2023](#)

Risks Identified by the Issuer

We remind investors that investing in Bittnet shares or bonds involves certain risks. These are described in detail in the Universal Registration Document / Annual Report published on the issuer's page from BVB and on its own website.

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Annex 2 – ‘Alternative Performance Measurements’

Indicator	Definition/Calculation method	Why is it relevant?
<p>Operating profit</p>	<p>It is about the core business profit, i.e. the business of serving our clients.</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, i.e. us as a listed company).</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"> 1. Financial result elimination (expenses addition to the gross profit, and financial-type incomes subtraction) 2. Non-cash IFRS adjustment elimination, related to the Stock Option Plan 3. Elimination of positions such as other incomes and other expenses (non-repeatable items, not related to the basic activity) 4. In the case of 2021, restated in 2023, with the application of the new conceptual framework, IFRS 3 business combinations – the costs of successful M&A that were previously capitalized, They were derecognized from assets by P&L – this retroactive restatement was excluded from the calculation of operating profit 	<p>Operational business (also known as ‘current’ or ‘core’) means the company businesses.</p> <p>This measures the performance and the business activity in relation to the competition, regardless of the taxation environment, the reporting accounting framework or the company financing method (the mix of equity and loans, the costs of maintaining the stock exchange rate, etc.).</p> <p>That is to say, this is the result the company (or each business line) would have if it operated as a company fully financed by its own resources (by ‘equity’ – shareholders' equity).</p>
<p>‘Gross Margin’, or ‘gross margin’, or ‘GM’, or ‘margin’</p>	<p>The calculation formula for this indicator is the ‘revenue MINUS COGS (cost of goods sold)’.</p> <p>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 a cloud project implementation services, the gross margin is the difference between the revenues invoiced to the client and the man-hour cost required for implementation, regardless if the implementing engineer is our employee or a subcontractor.</p>	<p>This indicator is the company’s ‘GDP’, it is the ‘added value’ that we generated for our partners.</p> <p>This indicator reflects not only the value we bring to our clients, but also, by inward looking at the company, it reflects the amounts of money we have at our disposal to cover the fixed expenses.</p>

Financial Situations Q3 (unaudited)

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 9 months ended
30 September 2023

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>30 Sept 2023</u>	<u>30 Sept 2022</u> (corrected)
Revenues from contracts with customers	278,097,832	110,465,157
Cost of sales	(234,029,837)	(84,164,817)
Gross margin	44,067,995	26,300,340
Other revenues	4,761,399	1,247,920
Sales expenses	(13,255,319)	(9,108,067)
General and administrative expenses	(30,491,328)	(15,546,250)
Other expenses	(308,516)	(1,022,711)
Profit/(loss) - Investments accounted for using the equity method	(80,425)	117,796
Financial revenues	(1,486,383)	(3,443,038)
Financial expenses	(5,276,528)	(2,832,847)
Gross profit	(2,069,106)	(4,286,857)
Income tax	(210,583)	71,996
Net Profit, of which:	(2,279,689)	(4,214,861)
related to the parent company	(5,531,856)	(6,578,321)
related to minority interests	3,252,167	2,363,460
Net Profit	(2,279,689)	(4,214,861)
Other comprehensive income	-	-
Total comprehensive result	(2,279,689)	(4,214,861)
related to the parent company	(5,531,856)	(6,578,321)
related to minority interests	3,252,167	2,363,460

The interim consolidated financial report was approved and signed on November 10, 2023

Mihai Logofatu
CEO

Adrian Stanescu
CFO

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>30 Sept 2023</u>	<u>31 Dec 2022</u> (corrected)
ASSETS		
Fixed assets		
Goodwill	72,823,084	57,528,189
Other intangible assets	9,280,539	9,077,001
Property, plant and equipment	33,769,765	27,808,467
Investments accounted for using the equity method	2,838,515	2,918,940
Other financial fixed assets	3,297,068	2,426,167
Deferred tax	3,177,107	1,271,824
Total fixed assets	125,186,079	101,030,589
Current assets		
Inventories	7,315,460	2,777,973
Trade receivables and other receivables	99,198,299	60,697,390
Financial assets at fair value	12,061,660	13,790,384
Cash and cash equivalents	30,278,265	42,300,365
Total current assets	148,853,683	119,566,112
TOTAL ASSETS	274,039,762	220,596,701
EQUITY AND DEBTS		
Share capital	63,417,671	52,848,060
Share premium	31,934,768	9,738,583
Other equity items	(6,145,587)	(11,390,433)
Reserves	1,324,823	1,324,823
Retained earnings	(4,646,737)	1,149,789
Capital related to the parent company	85,884,938	53,670,822
Non-controlling interests	7,467,585	3,823,943
Total equity and reserves	93,352,524	57,494,765
Long-term debts		
Bonds	14,575,333	9,609,806
Bank loans	24,736,504	11,166,109
Leasing liabilities	20,098,612	19,290,728
Long-term debts	-	-
Total long-term debts	59,410,449	40,066,644
Current debts		
Bonds	9,880,898	25,194,352
Bank loans	11,582,650	13,998,791
Leasing liabilities	6,359,055	4,693,525
Dividends payable	553,424	500,942
Profit tax liabilities	492,340	284,250
Trade payables and other debts	92,408,423	78,363,431
Total current debts	121,276,789	123,035,292
Total debts	180,687,238	163,101,936
TOTAL EQUITY AND DEBTS	274,039,762	220,596,701

CONSOLIDATED CASH FLOW STATEMENT

	<u>30 Sept 2023</u>	<u>30 Sept 2022</u> (corrected)
Gross profit	(2,069,106)	(4,286,857)
Adjustments for:		
Depreciation expenses	6,477,562	2,768,979
Expenses with sold assets	150,501	-
Benefits granted to employees SOP	758,650	715,051
	308,516	1,022,711
Interest expenses and other financial costs	3,870,388	2,441,726
Interest revenues and other financial revenues	811,735	431,412
Securities investment gains	1,740,102	3,474,982
Gain from investments accounted for using the equity method	80,425	(117,796)
Operating profit before working capital change	12,128,773	6,450,209
Variation of receivables account balances	8,938,521	(298,303)
Variation of stock account balances	35,975,297	(511,049)
Variation of accounts payable balances	(47,161,453)	2,665,293
Cash generated from operation	9,881,139	8,306,150
Profit tax paid	(2,496,299)	(1,267,901)
Net cash from operating activities	7,384,840	7,038,249
Investment activities:		
Payments for the purchase of subsidiaries, minus purchased cash		
Payments for the purchase of participating interests	(21,838,806)	(15,056,287)
Sale of participation interests	(841,345)	(830,128)
Loans granted to related entities	-	7,447,460
Acquisitions of tangible and intangible assets	(450,000)	240,000
Other financial investments	(2,897,583)	(2,213,086)
Proceeds from other financial investments	(80,039)	(4,179,499)
Dividends collected	-	4,809,727
Interest collected	68,661	134,220
Net cash from investment activities	229,554	53,248
Financing activities:	(25,809,558)	(9,594,345)
Proceeds from share issue	29,701,386	-
Sell of own shares	4,550,607	(2,603,739)
Drawdowns from bank loans	10,000,000	9,724,886
Receipts/reimbursements from bank loans	(19,788,382)	(2,318,459)
Receipts/reimbursements from bonds	(9,814,873)	-
Payments of leasing liabilities	(3,227,077)	(1,639,145)
Interest paid	(4,403,443)	(2,640,478)
Dividends paid related to minority interests	(615,600)	(1,081,679)
Net cash from financing activities	6,402,618	(558,614)

Net increase in cash and cash equivalents	(12,022,100)	(3,114,710)
Cash and cash equivalents at the beginning of the financial year	42,300,365	23,403,197
Cash and cash equivalents at the end of the financial year	30,278,265	20,288,488

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Issue Primus	Other elemnts of capital	Legal reserve	Report result	Equity	Noncontrolling interests	Total Equity
31 dec 2021	48,043,690	14,542,953	(19,082,504)	1,114,139	6,719,360	51,337,639	1,164,851	52,502,490
Net profit	-	-	-	-	(6,578,321)	(6,578,321)	2,363,460	(4,214,861)
Other elements of result	-	-	-	-	-	-	-	-
Total result	-	-	-	-	(6,578,321)	(6,578,321)	2,363,460	(4,214,861)
<i>Capital increase</i>	4,804,369	(4,804,369)	(9,895)	-	-	(9,895)	-	(9,895)
Transactions with own shares	-	-	(2,649,244)	-	-	(2,649,244)	-	(2,649,244)
SOP	-	-	715,051	-	-	715,051	-	715,051
Sell of minority interests	-	-	6,837,390	-	-	6,837,390	250,094	7,087,484
Noncontrolling interests	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(1,045,684)	(1,045,684)
Legal reserves	-	-	-	188,123	(188,123)	-	-	-
30 septembrie 2022	52,848,060	9,738,583	(14,189,202)	1,302,262	(47,083)	49,652,620	2,732,721	52,385,342
	Share capital	Issue Primus	Other elemnts of capital	Legal reserve	Reported result	Equity	Noncontrolling interests	Total Equity
31 dec 2022	52,848,060	9,738,583	(11,390,433)	1,324,823	1,149,789	53,670,822	3,823,943	57,494,765
Net profit	-	-	-	-	(5,531,856)	(5,531,856)	3,252,167	(2,279,689)
Other elements of result	-	-	-	-	-	-	-	-
Total result	-	-	-	-	(5,531,856)	(5,531,856)	3,252,167	(2,279,689)
<i>Capital increase</i>	10,569,612	22,196,185	(64,411)	-	-	32,701,386	215,097	32,916,483
Transactions with own shares	-	-	4,550,607	-	-	4,550,607	-	4,550,607
SOP	-	-	758,650	-	-	758,650	-	758,650
Noncontrolling interests	-	-	-	-	-	-	1,452,390	1,452,390
Dividends	-	-	-	-	(264,669)	(264,669)	(1,276,012)	(1,540,681)
Legal reserves	-	-	-	-	-	-	-	-
30 septembrie 2023	63,417,671	31,934,768	(6,145,587)	1,324,823	(4,646,737)	85,884,938	7,467,585	93,352,524

The interim consolidated financial report was approved and signed on November 10, 2023

NOTA 1. GENERAL INFORMATION

Group structure and operational activities

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

	<u>30 September</u> <u>2023</u>	<u>31 December</u> <u>2022</u>
SUBSIDIARIES - % ownership		
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%
2NET Computer, through Dendrio Solutions	100%	100%
Dataware Consulting, 51,13% through Dendrio Solutions	70%	-
MINORITY INTERESTS		
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, 2NET Computer).

The consolidated financial statements include the results of the business combination through the acquisition method. In the statement of financial position, the assets, liabilities and contingent liabilities of the acquirer entity are initially recognized at their fair values at the acquisition date. The results of the acquired operations are included in the consolidated statement of

comprehensive income from the date of acquiring control (Dendrio Solutions – September 2017, Elian Solutions – November 2018, Equatorial Gaming and Equatorial Training – December 2020, Computer Learning Center, ISEC Associates, IT Prepared, Nenos Software, Nonlinear – August 2021, Global Resolution Experts and GRX Advisory – December 2021, Top Tech and zNET Computer – September 2022, Dataware Consulting – May 2023.

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**, **Nenos Software & Nonlinear**, **Global Resolutin Experts & GRX-A & ISEC Associates**, **IT Prepared**, **Top Tech**, **zNet Computer** and **Dataware Consulting**. 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 Bucharest Stock Exchange.

Dendrio Solutions

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

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

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

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

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

Elian Solutions

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

Elian Solutions is specialized in providing implementation services for Enterprise Resource Planning (ERP) solutions, Microsoft Dynamics NAV. Elian is the only partner who holds a Gold Certificate for this solution from Microsoft in Romania. The solution implemented by Elian allows companies to

know the situation of stocks, receivables and debts, to be able to forecast, inter alia cash flow, to track production, cost centers and much more.

Equatorial Gaming

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

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

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

Computer Learning Center & ISEC Associates

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

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

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

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

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

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

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

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

IT Prepared (rebranding: Optimizor)

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

- The first installment, of USD 265,200, was paid in RON immediately after signing the share sale-purchase contract, by payment order to the two founding shareholders of IT Prepared;
- Installments 2 and 3, worth USD 265,200 and USD 142,800 respectively, will be paid to IT Prepared founders by settlement in BNET shares in a future share capital increase operation. The actual number of shares to be issued shall be determined in accordance with the provisions of art. 210(2) of Law 31/1990 and art. 87-88 of Law 24/2017 on issuers of financial instruments and market operations and art. 174 of FSA Regulation No. 5/2018. BNET shares for each of the installments 2 and 3 will be issued after closing and approving the financial statements of IT Prepared related to 2021 (installment 2) and 2022 (installment 3).
- Tranche 3, in amount of RON 1,078,768 (amount updated following the closing of the financial statements of IT Prepared on 31.12.2022), was paid to the founders of IT Prepared on 30.06.2023

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

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

Nenos Software & Nonlinear

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

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

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

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

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

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

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

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

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

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

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

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

Top Tech

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

After signing the closing at the beginning of September and registering the mentions in the Trade Register regarding the new shareholding structure, Dendrio Solutions SRL owns 60% of Top Tech, and Bittnet Systems SA 40%. The total value of the transaction price is RON 12,874,306, of which RON 5,000,000 will be settled in BNET shares in a future capital increase; the cash component of the price, worth RON 7,874,306, was paid in full in September 2022. Top Tech was consolidated in the financial statements from 30.09.2022 only at the balance sheet level.

In March 2023, the parties signed an additional act to the SPA, by which they agreed that the amount of RON 2,000,000.11, related to tranche 2, should be paid in cash, and the amount of RON 2,999,999.89 to be converted into BNET shares in the capital increase carried out in Q1, 2023. The bank transfer was made in March 2023, and the allocation of BNET shares to the Top Tech founder in April 2023.

In December 2022, Bittnet Systems announced the cooptation of the Agista Investments 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 cooptation 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 Brasov area and the center part of Romania for local and international clients with presence in Brasov, Harghita and Covasna counties. 2net Computer provides products and technology solutions from the main international vendors. Among the competencies are design and implementation of technical security systems; technology solutions & services for configuring equipment, servers, storage, networking, software, virtualization, hardware & software security; the sale of hardware components / PC / printers, copiers & multifunctional/scanners.

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

Dataware Consulting SRL

Dataware Consulting SRL (CUI 27895927) entered Bittnet group in June 2023 through the acquisition by the Group of a package of 70% of the social shares (following the M&A transaction, Bittnet Systems owns 18.87% and Dendrio Solutions owns 51,13%). Dataware is one of the most important integrators of technology solutions and services regarding the implementation and configuration of IT infrastructures, data networks, storage and security solutions from the main international technology vendors. The total price of the transaction was RON 19,861,795 of which the equivalent of 5,000,000 lei in BNET shares that would have been allocated to the 2 Dataware co-founders in a future capital increase. Through an addendum to the share purchase agreement, the cash payment of this installment was agreed during June 2023. Dataware Consulting was consolidated in the financial statements from June 2023.

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 tranche in the amount of 1,682,690 lei (calculated after closing the 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 parties signed an additional act to the sale-purchase contract of social shares, by which they established that the remaining 50% of the value of tranche 2 should be paid in cash.

As a result of the investment contract, Bittnet has allocated a position in the Board of Directors of E-Learning Company, a position that will be occupied by Ivylon Management SRL through Logofatu Cristian. Bittnet has decided to participate in ELC in order to reach certain minimum profitability limits, which is why, in the coming years, the distribution of dividends will be pursued, so that Bittnet can achieve a return of at least 18% annually provided that ELC to achieve a degree of profitability at least equal to this percentage.

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

The Group's Management

On 29 January 2020, the General Meeting approved the amendment of the company's articles of association in the sense of its administration by a Board of Directors composed of 3 members.

The composition of the Board is according to the election results:

- 1) **Ivylon Management SRL** by **Mihai Alexandru Constantin Logofatu**. At the time of drafting this note, Mihai Logofatu holds a number of 56.341.882 shares, representing 8.88% of the share capital and voting rights. Mihai Logofatu is the co-founder of Bittnet Systems.
- 2) **Cristian Ion Logofatu**, who owns a number of 53.592.812 shares, which represents 8.45% 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 0.86% of the voting rights.
- 4) **Rudolf Paul Vizental** – doesn't own BNET shares.
- 5) **Dynamic Data Drawings SRL** – through Anca Mănițiu. Anca Mănițiu owns 763.237 BNET shares, 0,12 % of the Company's capital .

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.

NOTA 2. BASIS OF THE FINANCIAL STATEMENTS**a) Declaration of conformity**

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

The consolidated reporting period for the **9-month period ended September 30, 2023** has been prepared in accordance with IAS 34 "Interim Financial Reporting". This report does not include all the information and disclosures that would be required in a complete set of IFRS financial statements and should be read in conjunction with the 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

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 businesses 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 Dendrio's portfolio, starting from March 2020, approximately 90% of the Bittnet Group team works 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 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 supply flows with components (processors/chips), starting from May 2021 this trend entered a downward spiral; more information: <https://www.bloomberg.com/news/articles/2021-05-18/wait-for-chip-deliveries-increased-in-sign-shortage-persists> and: <https://www.bloomberg.com/news/articles/2021-08-23/chip-shortage-set-to-worsen-as-covid-rampages-through-malaysia>
- Human factor 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.

Cyclicity/seasonality of income

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

c) Corrections for previous periods

The Group's unaudited interim consolidated financial statements reported for the first three quarters of 2022 have been corrected as a result of: reanalyzing the principles of recognizing the costs of pre-acquisition participation interests (M&A consultancy, financial and legal due-diligence services, legal services, etc.) in accordance with the provisions of the IFRS₃ standard, "Business Combinations"; and reanalyzing IFRS₁₅ standard ("Revenue recognition 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 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 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 three quarters of 2022 are presented in the tables below:

Global result	Correct	Reported	Difference
Revenues from contracts with clients	110,465,157	110,986,624	(521,467)
Cost of sales	(84,164,817)	(84,686,284)	521,467
Gross margin	26,300,340	26,300,340	-
Other incomes	1,247,920	1,247,920	-
Selling costs	(9,108,067)	(9,108,067)	-
Administrative costs	(15,546,250)	(15,546,250)	-
Other expenses	(1,022,711)		(1,022,711)
Financial result	(6,158,090)	(6,158,090)	-
Tax	71,996	(91,638)	163,634
Net result correction			(859,077)

Equity	Corectat	Raportat	Diferente
Goodwill	56,067,596	57,957,714	(1,890,119)
Deferred tax	1,089,257	776,108	313,150
Trade receivables and other receivables	47,537,319	48,220,794	(683,475)
Equity correction			(2,261,963)

NOTA 3. ESSENTIAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Essential reasoning

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

Valuation at fair value of financial assets held for sale

- Fair value evaluation of financial assets held for sale
- Evaluation of the consideration related to the loyalty program for employees / collaborators by offering shares - SOP
- Assessment of adjustments for impairment of receivables.

NOTA 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, Top Tech, zNet Computer and Dataware Consulting. This business has a shared portfolio of products, services and solutions and a larger team that will allow for a larger workload, both technically and in terms of sales. Gross margin is the main indicator that Management monitors in evaluating performance in each segment. Also, sales costs are tracked on each segment, while other general and administrative costs have not been allocated.

OPERATIONAL RESULTS	9 months 30 sept 2023			9 months 30 sept 2022		
	Education	Technology	Total	Education	Technology	Total
Total revenue	8,397,264	275,051,827	283,449,091	15,973,558	96,801,592	112,775,150
Revenue between segments	(304,949)	(5,046,310)	(5,351,258)	(537,540)	(1,772,453)	(2,309,993)
Revenues from contracts with customers	8,092,315	7	2	15,436,018	95,029,140	110,465,157
Gross margin	4,008,003	40,059,992	44,067,995	6,448,075	19,852,265	26,300,340
Allocated sales costs	(3,778,108)	(9,477,211)	(13,255,319)	(3,205,542)	(5,902,526)	(9,108,067)
Margin, after sales costs	229,894	30,582,781	30,812,676	3,242,534	13,949,739	17,192,273
Other incomes	1,429,029	3,332,370	4,761,399	848,740	399,180	1,247,920
Unallocated operating expenses			(30,491,328)			(15,546,250)
Financial income / expenses			(308,516)			(1,022,711)
Gross result			(6,843,337)			(6,158,090)
			(2,069,106)			(4,286,857)

ASSETS / LIABILITY	30 sept 2023			30 sept 2022		
	Education	Technology	Total	Education	Technology	Total
Active in the segment	52,913,163	221,126,598	274,039,761	53,773,712	124,915,886	178,548,577
Unallocated assets			-			2,202,278
Assets - Total			274,039,761			180,755,855
Debts by segment	8,186,556	136,181,528	144,368,083	24,977,200	80,773,848	105,751,048
Unallocated debts			36,319,155			22,619,464
LIABILITY - Total			180,687,238			128,370,513

NOTA 5. CUSTOMER REVENUE

Revenues from customer contracts are detailed in the following table:

	9 months	
	30 sept 2023	30 sept 2022
Training services	8,092,315	15,436,018
IT integration services	54,387,890	30,661,906
Revenue from the provision of services	62,480,205	46,097,924
	180,299,928	32,823,538
Goods for integrating IT solutions	35,317,699	31,543,696
Reselling licenses	215,617,627	64,367,234
Sale of goods		
	278,097,832	110,465,157
Total	8,092,315	15,436,018

Training services

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

IT solution integration services

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

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

Revenue from the sale of goods and licenses :

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

Geographical income:

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

NOTA 6. CLASSIFICATION OF EXPENSES

	9 months	
	30 sept 2023	30 sept 2022
Goods	167,400,965	28,439,034
Resell licenses	28,545,971	25,643,527
Staff expenditure	33,523,124	16,130,522
Expenses with collaborators	16,185,332	13,285,689
Amortization	6,477,562	2,768,979
Cloud services	3,628,741	3,997,495
Rent	422,634	486,136
Fees and commissions	405,613	312,386
Advertising	2,329,717	1,608,367
Travel and transportation	556,344	200,039
Insurance	390,926	135,571
Postal and telecommunications	325,132	131,607
Donations	371,424	262,679
Receivables adjustments	-	-
Banking fees	226,612	129,269
Services provided by third parties	14,251,119	13,663,748
Provisions	105,831	-
Other expenses	2,629,436	1,624,086
Total operational costs	277,776,485	108,819,134

NOTA 7. FINANCIAL INCOME AND EXPENDITURE

FINANCIAL INCOME	30 sept 2023	30 sept 2022
Interest income	253,719	31,944
Investments income	68,661	(610,288)
Revenue from securities valuation	(1,808,764)	(2,864,694)
Total	(1,486,383)	(3,443,038)
FINANCIAL EXPENSES	31 sept 2023	30 sept 2022
Banking interest	2,089,206	701,362
Factoring costs	1,314	1,209
Bonds interest	1,779,868	1,739,155
Leasing	1,002,433	461,558
Net income / expenses difference of course	403,707	(70,438)
Total	5,276,528	2,832,847

NOTA 8. TITLES

In equivalance

	30 sept2023	31 dec 2022
E-Learning Company	2,838,515	2,918,940
Total	2,838,515	2,918,940

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

	30 sept2023	30 sept 2022
Softbinator Technologies	10,024,199	12,308,834
Safetech Innovations	-	-
Arctic Stream	2,037,461	1,481,550
Chromosome Dynamics	-	-
Total	12,061,660	13,790,384

Softbinator Technologies

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

through digital banking (including crypto), Internet of Things (IoT), Automotive and explored a new vertical in e-commerce expertise: marketplaces.

Softbinator Technologies stock listing (trading symbol: CODE)

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

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

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

c) Assignment of newly issued shares as treasury shares The shareholders of Softbinator Technologies unanimously decided on 09.09.2021 that a percentage of 10% of the total number of shares held, ie all shares issued and allocated following the capital increase operation described above, should be made available to Softbinator Technologies as treasury shares for the purpose of trading in the private placement. In this regard, the shareholder of Bittnet Systems sold to the treasury of Softbinator Technologies a number of 25,000 CODE shares at a nominal value of 0.1 lei per share, for which it received the equivalent value of 2,500 lei - the nominal value. Following this operation, Bittnet Systems held a number of 225,000 shares, representing 22.5% of the total

shares of Softbinator Technologies, and 25% of the voting and profit-sharing rights, taking into account that the treasury shares have no voting rights and no can receive dividends.

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

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

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

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

information exchanged between the Group and Softbinator Technologies. As such, the Group's management has concluded that it no longer exercises and does not intend to exercise a significant influence over Softbinator Technologies as of 30.09.2021. As such, the Group decided to reclassify the remaining holding in Softbinator Technologies as at 30.09.2021 from securities held in equity at fair value. On 31.03.2022, the investment in Softbinator Technologies shares was revalued using the average trading price on the AeRO market from 31.03.2022.

Safetech Innovations

Fair value

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

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

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

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

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

Arctic Stream**Fair value**

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

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

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

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

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

Chromosome Dynamics**Fair value**

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

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

through the Central Depository system. Following the private placement, Bittnet Systems owns 1.22% of the shares and voting rights of CHRD.

Chromosome Dynamics achieved a turnover of almost RON 1 million in 2020 and RON 2.5 million on June 30, 2021; The company develops solutions geared to the needs of farmers in order to process processes. CHRD is the developer of the AGROBAZAR APP application, which models the consulting-sale-purchase process in agribusiness, representing a one stop shop for Romanian farmers. The application provides farmers with consulting in agribusiness, agricultural machinery and inputs - seeds, pesticides, fertilizers so far with over 10,000 active users. Under the investment agreement, the Bittnet Group will have the first option to deliver technology projects with CHRD.

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

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

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

NOTA 9. CAPITAL AND RESERVES

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

	30 sept	30 dec
	2023	2022
Share capital	63,417,671	52,848,060
Share premium	31,934,768	9,738,583
		(11,390,433
Other equity items	(6,145,587))
Legal reserves	1,324,823	1,324,823
Retained earnings	885,119	6,508,677
Current comprehensive result	(5,531,856)	(5,358,890)
	85,884,93	
Total	8	53,670,822

a) Share capital

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

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

Shareholder	30 sept	31 dec
	2023	2022
IMPETUM INVESTMENTS S.A.	13.75%	6.86%
AGISTA INVESTMENTS S.R.L.	13.33%	7.98%
Mihai Logofătu	8.77%	10.85%
Cristian Logofătu	8.45%	10.14%
Alții	55.70%	79.01%
Total	100%	100%

Capital increase through new contributions and debt conversion - March 2023

In 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 0.31 lei was 2,999,999.89 lei 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 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 by incorporating reserves - July 2022

The share capital was increased by the amount of RON 4,804,369.10 by incorporating the issue premiums and issuing a number of free shares in the benefit of the shareholders from the date of registration (1 free share for every 10 held), according to EGSM Decision no. 2 of April 2022 and the additional voting procedures. Shareholders from the date of registration - July 21, 2022 - could chose (between July 29 and August 4) to let these new shares at the disposal of the Company and to be used in the incentive programs for key persons, approved in previous years by the GSM , in this case receiving a cash distribution of 0.15 RON per 10 shares held on the date of registration.

During the voting period, the Issuer received a number of 234 options from 234 shareholders representing a total of 205,693,904 voting rights, 43.34% of the total voting rights of the Issuer. Among the options expressed, 105 shareholders representing 175,297,189 voting rights, 36.93% of the total voting rights, opted for OPTION 1 - for the cash distribution and leaving the newly issued shares at the disposal of the company.

The company distribute to these shareholders the amount of 2,629,453.80 RON starting on September 12, 2022, through the Central Depository system, with Banca Transilvania as payment agent. The Central Depository allocated, on 12.08.2022, the shares in Section 1 for the shareholders from the registration date who opted otherwise than for the cash distribution or did not undertake any voting steps during the voting period.

Also at that time, the Central Depository charged a number of 17,529,692 treasury shares to the Issuer's account. Following this operation, the subscribed and paid capital of Bittnet, registered in the records of the Trade Register, FSA and the Central Depository, is 52,848,059.5 RON, divided into a number of 528,480,595 BNET shares, each with a nominal value of 0.1 RON.

b) Share premium

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

c) Legal reserve

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

d) Other equity items**Essential reasoning – SOP recognition and measurement**

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

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

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

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

Significant estimates - SOP measurement

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

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

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

SOP2020A & SOP2020B – “SOP2020”

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

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

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

Within this incentive plan, 24 key persons notified the company regarding the purchase of a total number of 40,428,754 BNET shares according to the option contracts concluded within the incentive plans "SOP2020A" and "SOP2020B" approved by the above EGMS Decisions mentioned, hereinafter collectively referred to as "SOP2020".

The strike price of the options under SOP2020 was calculated, according to the approved incentive plans, taking as reference the market capitalization from 31.12.2019 for SOP2020A, i.e. the value of RON 113,000,000 , respectively the market capitalization from 21.04.2020, for SOP2020B, i.e. the value of RON 101,445,399. Thus, the resulting strike price is 0.235203 lei/share for SOP2020A, respectively 0.211152 lei/share for SOP2020B.

Considering that the sums of money that should have been paid by the key persons to the company on account of the shares acquired under SOP2020 by exercising the options could have been paid by various methods, one of them being the sale in the market of a part representing the equivalent of approximately 65% of the shares that are the subject of SOP2020, and this additional volume could have unbalanced the demand and supply of shares, the Group's management made the decision that the 24 key people should be paid in shares the economic value of the options within the incentive program , i.e. a number of 26,020,845 shares. The economic value of the option is the difference between the market price and the purchase price from the SOP (the strike price of the option), multiplied by the number of options.

The total number of shares was calculated by dividing the economic value of the option at the price of 0.34 RON per share (the price approved by the GMS for running a buyback program). The allocation of the shares representing the counter value of the economic value of the option was made without the need for a cash consideration from the key persons. Thus, the 24 key persons were settled with a number of 26,020,845 BNET shares, transferred by the Central Depository from among the Issuer's treasury shares

SOP 2021

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

SOP 2022

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

SOP 2023-2026 (Plan de Incentivare pe Termen Lung prin Participarea la Capitalul Societatii)

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.

NOTA 10. BONDS

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

	<u>30 sept</u> <u>2023</u>	<u>31 dec</u> <u>2022</u>
BNET23	-	4,690,017
BNET23A	9,689,452	9,639,901
BNET23C	-	9,991,667
BNET26E	9,683,026	9,609,806
BNET27A	4,892,306	-
Interest	191,446	872,768
Total:	<u>24,456,230</u>	<u>34,804,159</u>
Long term	14,575,333	9,609,806
Short term (interest)	<u>9,880,898</u>	<u>25,194,352</u>

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

BNET23

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

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

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

BNET23 bonds were reimbursed at maturity, at 05 July 2023.

BNET23A

On December 27, 2018, Bittnet successfully closed the fourth private placement of corporate bonds and the second in 2018. Following the private placement of BNET23A, the Group obtained

the amount of RON 9,703,700 from 20 natural person investors and one legal person investor. Within the process, 21 transactions amounting to a total of 97,037 registered, dematerialized, corporate, non-convertible, unsecured bonds with a nominal value of 100 RON/bond were settled through BVB mechanisms (POFBX market).

BNET23A bonds have a maturity of 5 years, a fixed interest rate of 9% per year, payable semi-annually and the allocation date was 28 December 2018. The Group used the amounts attracted within the BNET23A issue to finance the IT&C business transfer from Crescendo International SRL and its integration into the Bittnet Group structure, as approved by the Extraordinary General Meeting of Shareholders on 17 December 2018 and the investment contract described in the Current Report 22/15.10.2018.

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

BNET23C

On 01 January 2023, Bittnet repaid the principal (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. RON10,000,000. 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 launched 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 euros. 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. The BNET26E bonds are traded on the BVB Regulated Market, the category dedicated to corporate bonds, starting with 03.07.2023.

BNET27A

Between May 30 and June 21, 2023, Bittnet Systems carried out the first public offering of corporate bonds from the Bucharest Stock Exchange when it offered for sale a maximum number of 50,000 corporate bonds, unsecured, with a nominal value of 100 lei, each investor interested party having the possibility to subscribe in the price range of 96 ron - 104 ron per bond, respectively between 96% and 104% of the nominal value of the instrument. During the offer

period, a total number of 803 purchase orders were placed and the closing price of the offer was 100 lei, with a number of 71,814 bonds being subscribed. According to the Offer Prospectus, the allocation of shares to the accepted subscriptions (placed at the offer price and higher prices) was made pro-rata. Purchase orders at prices lower than the issue price will not be executed. The transaction execution date was June 22, 2023, and the transaction settlement date is June 26. On July 19, 2023, the BNET27A bonds began to be traded on the Regulated Market.

NOTA 11. BANK LOANS

Details regarding bank loans are presented in the following table:

	30 sept	31 dec
	2023	2022
ProCredit long term line (BNET & DEND)	4,580,618	1,795,128
BT investment loan (DEND)	7,321,056	9,621,839
ProCredit investment loan (DEND)	9,648,601	-
BT & Libra investment loans (DW)	1,123,927	-
ProCredit credit line 4.5 mil. (DEND)	-	4,500,000
BT credit line 1.6 mil. EUR (DEND)	1,917,594	4,620,807
Raiffeisen credit line 2.5 mil. (2NET)	1,916,585	-
BT credit line (DW)	2,500,000	-
Raiffeisen IMM invest (EQG)	-	93,360
Raiffeisen IMM Invest (2NET)	552,956	1,822,660
BRD IMM Invest (TT)	2,268,251	2,711,107
BRD credit line (TT)	1,489,566	
OTP & BT IMM Invest (DW)	3,000,000	-
Total:	36,319,155	25,164,901
Long term	24,736,504	11,166,109
Short term	11,582,650	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 loans and overdrafts for financing current activities at ProCredit Bank, Banca Transilvania, ING Bank, Unicredit Bank, BRD and Raiffeisen, as well as an investment loan contracted from Banca Transilvania. This product was signed for the financing of the two acquisition transactions of Top Tech SRL and 2Net Computer SRL. The two companies recently acquired by the Group have bank lines contracted from BRD (TopTech) and Raiffeisen (2NET Computer) to finance their current activity, including through the governmental IMM Invest program.

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:

	9 months:	
	30 sept 2023	30 sept 2022
	<u> </u>	<u> </u>
Management	2,066,167	686,116
SOP	475,288	242,219
Total	<u>2,541,455</u>	<u>928,335</u>
Datorii	30 sept 2023	31 dec 2022
	<u> </u>	<u> </u>
Key person	333,438	79,690
Total	<u>333,438</u>	<u>79,690</u>
Creante si imprumuturi	31 sept 2023	31 dec 2022
	<u> </u>	<u> </u>
E-Learning Company – imprumut principal	450,000	-
E-Learning Company – dobanda	12,822	-
Total	<u>462,822</u>	<u>-</u>

The loan to the E-Learning Company was granted in March 2023, for a period of 1 year, with an interest rate of 10% per year.

NOTA 13. CONTINGENT LIABILITIES

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

During the year 2021, the Group became aware of the existence of file 30598/3/2021 before the Bucharest Court, in contradiction with the owner of the former office space - Bucharest Mall Development and Management S.R.L. ("Anchor" or "Owner"). During February 2022, the Group (or the "Tenant") took note of the content of this file and the value of the claims, as follows:

- i. RON 267,214.96 representing rent, tax on services and utilities;
- ii. RON 100,109.95 representing late payment penalties related to the principal amount; and
- iii. RON 3,632,709.91 representing compensatory damages (criminal clause).

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

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

- i. it does not have a free area for rent of the requested size, but a reduced area, namely 2,563.14 sqm of which only the area of 1,495.61 sqm has a certain availability, the difference of 1,067.53 sqm having an uncertain situation, respectively, its availability is conditional on the relinquishment (unlikely, as results from the communicated response) of its use by another tenant;
- ii. the availability of the space differs, there being a gap of 3 months between the space available on the same floor (in area of 1,495.61 sqm) and that located on a different floor (1,067.53 sq m); and
- iii. the proposed area is offered under other commercial and/or technical conditions than those on the basis of which the use of the existing space was agreed (i.e. different duration, the need to bear some remodeling costs, etc.).

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

contested the unilateral notice of termination of the Group, and considering the Contract as being in force, continued to issue invoices after the termination of the Contract by unilateral termination. The group maintained and confirmed its position, refusing to pay invoices issued after the termination date, in the absence of a contractual relationship.

Through the Notice dated April 23, 2021, the Group requested Anchor to deduct the remaining rent payment amounts until the termination date of the contract as a result of the unilateral denunciation by Renters (i.e. the remaining rent payment amounts for the months of March - May 2021) with the Guarantee provided by the Tenant according to Annex 5 to the Contract, as it was increased by Additional Act no. 2/14.01.2019 to Bank Guarantee Letter no. 246/12.06.2017. On August 4, 2021, the plaintiff sent her own notice of termination of the Contract citing the fault of the Tenant for non-payment of invoices, at the same time requesting compensatory damages according to the penal clause. Also, on 1.09.2021, Anchor executed the Guarantee provided by the Renter according to Annex 5 to the Contract. On 23.09.2021 the Group notified the Owner regarding the fact that the Notice of Termination sent on 04.08.2021 is without object, considering that the said Contract was already terminated as a result of the Notice of Unilateral Denunciation sent by the Group on 27.01.2021, and Bittnet's unilateral manifestation of will, unequivocal and firm in the sense of denunciation, is sufficient to produce effects and operates legally and irrevocably from the date of its communication.

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

At the first term of the trial on 10.06.2022, the court asked the plaintiff to indicate the amount of the annual rent owed under the rental contract and the method of calculating it, the corresponding documents, with the mention of proving the payment of the court fee of stamp, calculated at this value, until the next court term of 14.10.2022, under penalty of cancellation. The plaintiff requested the re-examination of the stamp duty, a request that was rejected. The plaintiff paid the stamp duty in full. By the conclusion of the session dated 24.10.2022, the court extended the ruling on the testimonial evidence after submitting the answers to the interrogation and an accounting expert was appointed in order to draw up the expert report with the following objectives, agreed to by the defendant:

1. The amount of Rent and Penalties owed by the Defendant outstanding on the date of the filing of the summons, reported on 27.05.2021 as the date of termination of the contract.
2. The amount of Rent and Penalties owed by the Defendant outstanding on the date of the submission of the request for summons reported to 24.08.2021 as the date of termination of the contract.
3. The separate value of the costs of utilities and services for the period March-May 2021 and of the penalties related to 27.05.2021 as the date of termination of the contract.

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

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

The parties responded to the questioning and by the conclusion of the session dated January 27, 2023, the court approved the testimonial evidence with 2 witnesses who were heard in the session of 03.10.2023. Until the deadline of 10.03.2023, the appointed expert did not submit the expert report and requested a postponement without specifying a deadline for its completion. Due to the lack of the expert report, the court granted a new deadline of 21.04.2023.

The expert report was submitted on 16.06.2023, and the court remained in judgment for 30.06.2023. After successive postponements, the court ruled on 04.08.2023. The solution in short: "Accept the request in part, as stated. It obliges the defendant to pay to the plaintiff the sum of RON 102,627.51 , by way of delay penalties. He rejects the other claims as unfounded. Compensates in part the court costs due to each party and, consequently, obliges the defendant to pay to the plaintiff the sum of RON 3203.92 , as court costs. With appeal within 30 days of communication. The appeal is submitted to the Bucharest Court - VI Civil Section."

Until the date of this report, the sentence has not been communicated to the parties. The group recorded a provision in the amount of RON 105,831.42 in the financial statements from 30.06.2023.

NOTA 14. EVENTS AFTER THE REPORTING PERIOD**I. O& EGMS from 30 October 2023**

On 30.10.2023, the General Meeting took place, with the participation of shareholders both physically, at the Issuer's headquarters in One Cotroceni Park, and through two-way communication means made available through the Evote application. On the agenda was the revocation of the auditor BDO Audit and the election of new auditors - for the individual and consolidated statements of 2023, LionLink Audit, and for the financial and consolidated statements of 2024, KPMG Audit. The shareholders approved all the items on the agenda, the results of the vote can be consulted both on the BVB website, the Issuer's page, and on the own website dedicated to the relationship with investors.

II. Capital increase of ISEC Associates SRL & sell to FORT SA

Considering the new operational structure of the group in 4 business pillars (business units – Education, Cloud&Infrastructure, Cybersecurity, Platforms& software) but also the fact that an IPO on the AeRO market of BSE is aimed for the Cybersecurity pillar – organized as FORT S.A. – (formerly Global Resolution Experts SA), the Group's management decided to organize all the companies that are active in the field of cyber security, under the entity that is to become public, Fort SA. Thus, the group's first investment in the cybersecurity company ISEC Associates SRL, was transferred from the direct control of the Issuer (which owned 70% of the capital), to Fort SA – which currently owns 100% of ISEC Associates SRL (ISEC) .

Thus, the SPA dated 26.10.2023 was signed between the former associates of ISEC Associates (Bittnet Systems, Mr. Andriescu Alexandru and Provision Software) – and Fort SA. The agreement provides for the full sale of ISEC Associates to FORT for the amount of RON 2,850,000 (the price of the transaction was established by the FORT EGSM Decision dated 30.05.2022). On 30.10.2023, the Trade Register completed the registration regarding the transfer of the ISEC shares, in this sense of Fort SA being registered as the sole shareholder of ISEC, holding 100% of its share capital.

According to the share transfer agreement, the sellers and the buyer agreed that in exchange for the transaction price, FORT shares will be allocated to sellers in a future operation of capital increase by converting the resulting receivables. Consequently, the transaction price did not involve the payment of any amount of money by Fort SA for the full acquisition of ISEC.

As a result of this operation, the capital of FORT will be increased, in the following period, by the amount of RON 8,549.90 from the value of RON 90,000 to the value of RON 98,549.90 by allocating a number of 85,499 shares to the transferor associates, in proportion to the certain liquid and payable receivables that they held from the assignment of the ISEC shares and which were certified by the accounting expertise report dated 02.11.2023.

In addition to the share capital, this operation also generated an increase in equity of Fort SA, by recording the amount of RON 2,841,413.92 as issue premiums.

Prior to the signing of the share transfer contract with Fort SA, the ISEC associates agreed to convert into capital the sum of RON 716,990.60, which was converted to the nominal value and which represented certain liquid and payable claims held by Bittnet Systems and Provision Software. Thus, the share capital of ISEC was increased to the current value of RON 767,200, increase also operated at the level of the Trade Register.

III. Signing of banking agreements with ProCredit Bank and Banca Transilvania

Top Tech SRL: contracting a non-cash product from ProCredit Bank, in the maximum amount of RON 1.4 million for a period of 12 months with the possibility of extension. The ceiling will be used in the current activity for the establishment of bank guarantees for bidding procedures or good execution for commercial contracts that require such instruments.

Dendrio Solutions SRL: the transformation of the revolving credit line in the amount of EUR 1.8 million (contracted in October 2023 from Banca Transilvania) into credit with monthly repayments. The amount to be reimbursed is EUR 966,393. Repayment will be made over a period of 12 months, interest: EURIBOR_{3M}+2.85%, and the guarantee structure is: corporate guarantee from Bittnet Systems SA and Dataware Consulting for Dendrio Solutions. **Dendrio Solutions SRL:** contracting a non-cash ceiling in the total amount of RON 2 million for issuing bank guarantee letters from Banca Transilvania for participating in tender procedures and issuing guarantees for the proper execution of commercial contracts that require such instruments.

Dendrio Solutions SRL: contracting a non-cash ceiling in the total amount of RON 2 million for issuing bank guarantee letters from Banca Transilvania for participating in tender procedures and issuing guarantees for the proper execution of commercial contracts that require such instruments.

IV. Publication of an Amendment and the updated, consolidated form of the Universal Registration Document

Given that several reporting periods have passed between the date of its initial publication (as a supporting document for the April 2023 General Meeting) and until now, as well as that the Issuer intends to carry out a primary public offering of corporate bonds whose Prospectus will be also composed of the Universal Registration Document, the Issuer published on 03.11.2023 an amendment to this Document together with its updated and consolidated form.

V. Decision of the Board of Directors regarding the development of a public offering of bonds

On 06 of November 2023, the issuer informed investors and the capital market about the intention to launch a public offer for the sale of corporate bonds whose main coordinates are: a maximum number of 100,000 bonds with an individual face value of RON 100 and a total face value of RON

10,000,000 with a fixed interest rate of 9.6% per year, payable quarterly and maturity at 4 years and 6 months. The range in which investors will be able to subscribe to the new bonds (proposed symbol: BNET28) is between 94 and 106 RON, a mechanism similar to the price discovery used in initial public offers of shares. In the immediate following period, the issuer intends to submit the offer documentation to the FSA for approval, together with the Prospectus consisting of separate documents.