

Bittnet Group — BNET Report Q1 2024



1st Quarter report according to

ANNEX no. 13 to the ASF REGULATION no. 5/2018

For the financial year	01.01.2024 - 31.03.2024
Report date	10 May 2024
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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 20.596 bonds with face value 100 euro - BNET26E 50.000 bonds with face value 100 ron - BNET27A 100.000 bonds with face value 100 ron - BNET28 66.249 bonds with a face value 100 ron - BNET28A
Trading Symbol	BNET – shares, BNET26E, BNET27A, BNET28, BNET28A – bonds
Shares ISIN code	ROBNETACNOR1
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Letter from the CEO

First 3 months of 2024, our group recorded consolidated revenues of 44.1 million ron (-18% compared to the same period of last year) a consolidated gross margin of 7.6 million ron (down with 11% vs Q1 2023). The decrease in revenues led to a negative operating result of -8 million ron, as well as a net loss of 9.7 million ron (vs a net loss of 2.7 million ron in Q1 2023).

We are confident in reaching the proposed budget for 2024 because historically 1st quarter generates a maximum of 15% of the group's annual revenues and 1st semester, approximately 35%. It is specific to consulting and IT solutions business (from which the group currently obtains 85% of its revenues) that projects are contracted in the first part of the year and the delivery and invoicing those projects take place in the second half of the year.

At this moment we have a backlog of signed contracts and which we are going to deliver by the end of this year, of approx. 260 million ron, with an estimated average gross margin of almost 44 million ron. As we said in the previous report, it is the most effervescent start of the year from the perspective of projects already contracted, some of them of significant values (that we reported at the time of their signing). Additional to this backlog, the current qualified pipeline (those projects in various phases of bidding and negotiation with clients but which have not yet materialized in signed contracts) amounts to 183 million ron. Historically speaking, we have an average conversion rate of projects in the pipeline of over 50%.

Starting from 2024, we decided to be even more selective in choosing the projects we hire, which led to a general decrease in consolidated revenues. We focus on projects that involve delivery IT services, less on those that only involve trade, usually characterized by a lower gross margin. This change determined an increase in revenues from IT services by 18%, from 15.6 million ron to 18.4 million ron in the same period and obviously a decrease in revenues from the sale of goods (equipments), from 38 million ron in Q1 2023 to 25 million ron in Q1 2024. From an annualized perspective, analyzing the last 12 months (TTM), the evolution of the results demonstrates the ability of our group to deliver significant operational profitability: consolidated revenues reached 366 million ron, up by almost 72% compared to the previous period, and the gross margin increased to 65.1 million ron, registering a 45% increase. At the same time, the operating profit also registered a positive evolution, reaching the value of 6.7 million ron, increasing by 10%.

In first 3 months, we initiated an extensive restructuring process of Bittnet group, carefully analyzing each company from the perspective of expenses generated by activities. That's why we focus on simplifying our group structure, streamlining resources and reducing costs. Through these measures we ensure that our operations are sustainable and that we have a solid foundation for increasing profitability. The report highlights the progress made in terms of integration and simplification of the structure towards the goal of having a single commercial brand for each pillar of activity as well as simplified workflows. Thus, 2Net Computer was operationally integrated into TopTech structure, and the management team was unified for Dendrio and Dataware. Also, in each of the two mentioned structures (TopTech & 2Net and Dendrio& Dataware), we now have a single sales director who coordinates the commercial effort. We were forced to reduce by almost 20% the staff in the regional team and we plan to abandon 2 regional branches.

The current approach is part of our long-term strategy for the next four years through which we aim to remain a growth story, growth subordinate to profitability with the aim of rewarding our shareholders for the trust given in these years.

Our ambition for the next four years can be summarized as follows:

- EBITDA: growth 3 times compared to 2023
- Operational Profit: growth of 4 times compared to 2023
- Minimum Net Profit: 30 million RON
- Revenues of 650 million RON by the end of 2027
- NetDebt/EBITDA ratio: under 3

Achieving these objectives will be possible through a mix of organic growth and acquisitions (M&As). The acquisition program aims to invest in service and software companies (including companies with their own IP) that deliver locally complementary services but also have international market clients. Thus, we strengthen the Software&Platforms pillar where the profitability margin is higher, and the seasonality is more balanced between semesters. The financing of these acquisitions will be done through loans (bank or bond issuance) without diluting existing shareholders.

As always, we are at your disposal for questions or feedback at the dedicated address: investors@bittnet.ro

Mihai Logofătu,

Founder and CEO of Bittnet Group

Key Events in Q1 2024 at the Level of the Bittnet Group

Acquisition of Dataware – January 2024

At the beginning of January, the closing certificate and the supporting documents of the transaction through which Dataware Consulting SRL was acquired in full by the Bittnet Group were signed, an operation initially announced through the current report no. 61/07.12.2023.

GMS of January 2024 (elections for a New Board)

On January 25, 2024, the General Meeting voted on the composition of the new Board of Directors, considering the approaching expiration of the former members' mandates. Following the elections, the new Board of Directors is composed of the following elected members for a 4-year mandate:

- Ivylon Management SRL represented by Mr. **LOGOFATU MIHAI ALEXANDRU CONSTANTIN** – executive administrator and chairman of the Board;
- Mr. **ANGHEL LUCIAN CLAUDIU** – non-executive administrator and vice-chairman of the Board;
- Eccleston Square Capital Limited represented by Mr. **CIUCU BOGDAN-ANDREI** – non-executive administrator;
- Mr. **CONSTANTINESCU GABRIEL-CLAUDIU** – non-executive administrator;
- Quercus Solutions SRL represented by Mr. **MICHEȘ PAUL** – non-executive administrator.

Listing of BNET28 bonds – January 2024

In December 2023, Bittnet conducted a bond issuance through a public offer and price range mechanism, after which the issuer raised the sum of 10 million RON. The issue date for BNET28 was December 15, 2023, and the maturity date is June 15, 2028. The interest rate is 9.6% per year, payable quarterly through the Central Depository. Starting from February 2, 2024, the BNET28 bonds are tradable on the Regulated Market BVB.

Signing of significant contracts by the Digital Infrastructure Pillar | Q1 2024

In January, the issuer informed the capital market about the signing of a significant contract by Dendrio Solutions SRL (part of the Digital Infrastructure Pillar of the Group). The framework agreement was signed by Dendrio together with two other companies with which it tendered in association and won the procedure, and the total value of the contract is 253 million RON, of which Dendrio's delivery component is approximately 63 million RON (excluding VAT).

In February, Dendrio signed a contract for the delivery of an integrated monitoring solution that exceeds 10% of the previous year's consolidated turnover, its value amounting to 66,9 million RON without VAT.

At the end of February, the issuer informed investors about winning and signing a new significant contract by Dendrio worth 11 million RON (without VAT).

At the beginning of April, a new significant contract was signed by Dendrio, the contract is worth 65 million euros (without VAT) and was awarded following a tender won by the association of which Dendrio Solutions (as leader) and Dataware Consulting, both companies within the Bittnet Group, are part.

In April, TopTech, a company part of the Digital Infrastructure pillar of the Bittnet Group, announced the signing of a significant project worth 877 million RON without VAT (approximately 10% of the individual turnover of the year 2023) which involves the delivery and installation of storage equipment as well as other IT&C equipment.

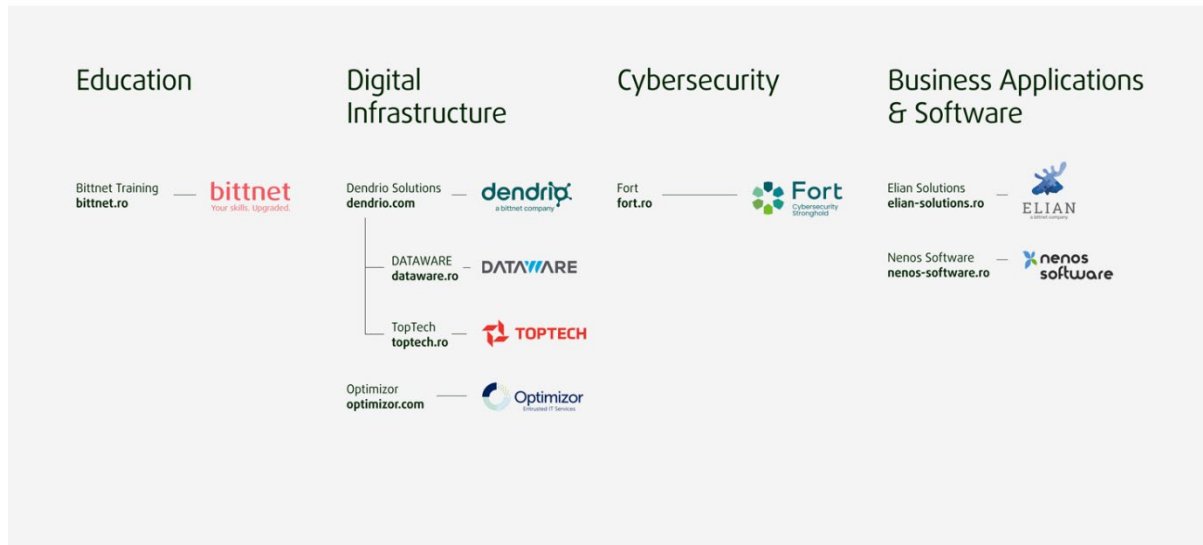
Also, in April, another significant project was won worth 787 million RON without VAT involving the delivery and installation of equipment necessary for the operation of a data center (data center) together with software products and other types of IT&C and connectivity equipment.

Conducting a public offer of BNET28A bonds | March - April 2024

At the time of publishing this document, the issuer is working on the procedures for listing the most recent corporate bond issuance (symbol: BNET28A) following the public offer conducted during the period April 2-15, during which the issuer raised the sum of 635 million RON for financing working capital, especially for significant contracts in progress where the pre-financing component is necessary, as well as the development plans of the issuer and the group to which it belongs. The interest rate is fixed at 9% per year for a period of 45 years. The mechanism by which the bonds were sold was through a public offer together with the order placement system within a price range (similar to the offers BNET27A and BNET28). The closing price was at the threshold of 96 RON/bond, respectively at 96% of the nominal value.

O& EGMS | March 2024

In addition to the traditional agenda for the annualy GMS, respectively the approval of the individual and consolidated financial statements, the discharge of the Board of Directors, or the approval of the Budget for the current year, the agenda also included the approval of share buyback operations approved by shareholders.



The current structure of the group resulting from multiple acquisition transactions carried out in the last 6 years contains 16 companies within the consolidation perimeter organized in 8 commercial brands and 4 business pillars (business units). Throughout the year 2024, the group's management has proposed to simplify the current group structure through merger transactions.

Digital Infrastructure pillar in Q1 2024

At the operational level, the management team focuses on the promise made at the beginning of the year, namely increasing operational profitability and targeting projects with a more consistent service component. To optimize costs, the sales teams of Top Tech and zNet have been unified, similar to those of Dendrio and Dataware. A similar process was also carried out at the level of the technical teams of Dendrio and Dataware. From the perspective of the results of the pillar, revenues from the provision of services were higher by 26% compared to Q1 2023, while revenues from the sale of goods decreased by 35%, reaffirming the group's strategy to pursue integration projects in which solutions come with a significant service component.

At the same time, we focus on unifying the structure and simplifying the pillar, as well as on merging companies. The first steps have already been taken: zNet Computer has been reorganized operationally under TopTech, and the managerial team has been unified for Dendrio and Dataware. Also, in each of the four companies mentioned, starting with the first quarter, we have a single sales director: Madalina Stratulat for Dendrio & Dataware, and Cristina Oprea for TopTech & zNet.

As part of the restructuring and simplification plan of the Bittnet group, in April 2024, the Group's management initiated the process of consolidating the holdings from the Digital Infrastructure pillar under the legal entity Dendrio Solutions. Thus, Agista Investments and Bittnet Systems, both associates in Dendrio Solutions and Top Tech, have assigned their holdings in the company Top Tech (Agista Investments – 14% and respectively Bittnet Systems - 40%) to Dendrio Solutions for a total sum of

1,446 million RON. Also, Bittnet Systems assigned its holding in Dataware Consulting (28.87%) to Dendrio Solutions for a total sum of 1,443 million RON.

Following the transactions described above, the sellers (Agista Investments and respectively Bittnet Systems) will be allocated social parts in Dendrio Solutions within a capital increase by recognizing and converting the claims resulting from the assignment contracts. Also, within this operation, the claims of the 2 co-founders of Dataware Consulting - Constantin Savu and Catalin Georgescu - will be converted into capital (allocated social parts of Dendrio) in the total amount of 5,000,000 RON according to the contract of assignment of the difference of 30% of the company Dataware Consulting to the Bittnet group. Following these operations, the equity of Dendrio Solutions will be increased by approximately 33,9 million RON through the contribution of the current associates Bittnet Systems and Agista Investments, as well as the 2 new associates, and the resulting shareholding structure will be: Bittnet Systems - 84.7245%, Agista Investments - 11.7765%, co-founders of Dataware - Constantin Savu and Catalin Georgescu - 3.499%.

As a result of this operation, Dendrio Solutions will individually directly own 100% of the social parts of Top Tech and Dataware, considering the profiles of solution and IT&C service integrators that the 3 companies have. Taking into account the value of the converted claims as well as the new shareholding structure, the market evaluation of the IT&C integrator Dendrio Solutions post-increase amounts to approximately 143 million RON.

Regional:

At a national/regional level, we aim for a significant increase in revenues and margin, and in Q1 we reorganized the sales team in accordance with this objective. At the same time, we will focus our efforts on delivering services, paying more attention to this aspect at the expense of selling equipment. We continued to implement the same integration measures and optimized and restructured the TopTech and 2Net teams, effectively reducing the number of employees by 29 people. Some work points are redundant, and we decided to give them up starting with Q2.

We have managed to map the processes to those of the group and to align ourselves with the level of expectations and benefits; we estimate that by the end of the second quarter we will complete this process. Also, we managed to retain a core of the team with a retention rate of existing personnel of over 90%.

We are pleased to announce that we have raised the entire budget for TITF 2024. Thus, in June, we will organize a large-scale event, the largest amplitude and presence in the history of TITF events, the 8th edition of this event.

Our future plans aim to achieve a minimum gross margin of 17% and a correct mix that shows our focus on services. We aim to grow by 25% in the area of revenues from sold production and the sale of goods and by 50% in the area of revenues from the provision of services. The orientation and focus on services and recurrence are a priority for us. We plan to expand the contracts for maintenance services (MPS) and significant works by approximately 30% compared to the current level.

In May, we will move the team from Brasov to the new headquarters.

We aim to complete as quickly and successfully as possible the alignment and implementation of platforms so that we are operational with an emphasis on the WMS (warehouse management system).

In our project pipeline, we focus the efforts of our sales teams and consider projects from the public sector with various funding sources: National Recovery and Resilience Program (PNRR) – equipping schools and digitization; PNRR – equipping town halls and digitization; PNRR – equipping universities and digitization; PNRR – equipping hospitals and digitization.

Also, in April, TopTech signed an additional act for the extension and supplementation of the credit product contracted from BRD for financing working capital and current activity. The ceiling was increased from the value of 3 million RON to 6 million RON, and the period of use was extended by 12 months under similar conditions to the initial agreement.

Managed services in the Digital Infrastructure pillar: Optimizor.

The first quarter of 2024 was marked by solid performance for the Optimizor team, which registered a 29% increase in turnover compared to the same period of the previous year, reflecting the efficiency and adaptability of operational and marketing strategies. We continued to diversify and stabilize the projects contracted in Romania, reducing dependence on the US market and intensifying regional development campaigns in EMEA. In addition, we successfully launched our new website, specially designed to improve sales efficiency and better engage our customers: <https://www.optimizor.ro/>

This initiative, together with the efficient use of marketing budgets for LinkedIn campaigns, has significantly strengthened the presence and impact of our brand online. As we continue to explore new market opportunities and implement innovative solutions for our clients, we are dedicated to surpassing our previous performances and setting new standards in the industry.

Digital Infrastructure	31.March.2024	31.March.2023	Evolution
Revenues from customer contracts	32.541.074	43.464.050	-25,13%
IT services	8.942.102	7.096.870	26%
Sale of goods	23.598.971	36.367.180	-35,11%
Cost of sales	(28.311.481)	(37.864.449)	-25,23%
Goods/materials	(21.035.194)	(32.560.484)	-35,4%
Cloud services	(1.472.526)	(1.174.827)	25,34%
Man-hours	(5.803.761)	(4.129.138)	40,56%
Gross margin	4.229.593	5.599.602	-24,47%
Other revenues	258.027	100.582	156%
Selling/distribution expenses	(3.131.232)	(2.369.132)	32,17%
Man-hours	(2.849.264)	(2.234.644)	27,50%
Advertising	(281.968)	(134.488)	109,7%
Administrativ expenses (including)	(6.713.226)	(4.487.250)	49,61%
Man-hours	(3.188.773)	(2.090.993)	52,5%
Amortization	(1.680.475)	(1.015.487)	65,48%
Other third-party expenses	(774.073)	(421.875)	83,48%
Miscellaneous	(370.840)	(258.579)	43,4%
Operational profit (without one-offs)	(5.356.837)	(1.035.364)	

Cybersecurity pillar in Q1 2024 (Fort)

During the first quarter, efforts at FORT were focused in two directions: implementing cybersecurity solutions together with delivering pentest and IT audit services and finalizing the listing procedures on the AeRO-SMT market of the Bucharest Stock Exchange, a process that is very close to being successfully concluded in April.

In current activity, Fort focused on identifying new collaboration opportunities by prospecting the cybersecurity market in the United Kingdom. Several offers were provided to the identified prospects, and a first contract with an entity from the United Kingdom has already been signed. The contract targets audit services related to specific financial market regulations.

Starting in February 2024, the operationalization of the Security Operation Center (SOC) service was completed, which provides an additional level of confidence from potential clients regarding Fort's capacity to offer rapid detection and response services with a high degree of professionalism. The promotion of this type of service continued, and over 10 presentation meetings were held with potential clients.

However, signing contracts proves to be a relatively lengthy endeavor, with the purchase decision following a classic pattern in terms of selling services characterized by relatively long sales cycles. Also, identifying prospects interested in SOC-type services is proving difficult locally. Therefore, the company will direct its attention towards international promotion, relying on high-quality services at lower costs than in Western Europe, the USA, or Southeast Asia.

Locally, the preliminary stages of collaboration with 2 potential clients active in the insurance industry have begun, with the sales activity expected to be finalized by the end of the first semester. Both target the provision of consultancy services based on a monthly subscription – thus, projects generating recurring revenues. At the same time, the development of the business line targeting the delivery of cybersecurity solutions in a managed services formula (Managed Security Services – MSS) continued through the conclusion of a contract that involves performing vulnerability scans using specific technical tools.

The financial results for the first three months of the year maintain the budget line assumed for the current year, as several collaborations that Fort had were closed due to the expiration of the contractual period, however, without significant impact on the results. We have confidence in the budget estimation considering that there is a positive context in terms of the activity domain at the global level and also because statistically, the second semester always presents better financial results compared to the first 6 months of the year. Operational figures of Fort for the first quarter of the year 2024:

- Over 45 offers sent to clients with a conversion rate into signed contracts of 56%.
- The sales pipeline currently contains over 50 active qualified leads.
- Over 30 projects delivered in the first three months.
- 3 new clients signed in the first three months.

Cybersecurity pillar (FORT)	31.March.2024	Project Insurance AI 31.March.2024	31.March.2023	Project Insurance AI 31.March.2023	Evolution
Revenues from customer contracts	2.969.704	-	3.076.531	-	-3,47%
IT services	2.480.832	-	2.952.380	-	-15,97%
Sale of goods	488.872	-	124.151	-	293,77%
Cost of sales	(2.079.341)	-	(2.323.801)	-	-10,52%
Goods/materials	(462.805)	-	(219.783)	-	110,57%
Cloud services	-	-	-	-	-
Man-hours	(1.616.536)	-	(2.104.018)	-	-23,17%
Gross margin	890.363	-	752.730	-	18,28%
Other revenues	25.774	-	579.220	-	-95,55%
Selling/distribution expenses	(204.890)	-	(101.365)	(200)	102,1%
Man-hours	(122.774)	-	(69.006)	-	77,92%
Advertising	(82.116)	-	(32.359)	(200)	153,8%
Administrative expenses (including)	(684.989)	-	(458.723)	(200.453)	49,3%
Man-hours	(304.663)	-	(321.360)	(84.953)	-5,2%
Amortization	(114.498)	-	(96.218)	-	19%
Other third-party expenses	(197.517)	-	(25.753)	(115.500)	120,08%
Miscellaneous	(412.587)	-	(103.147)	-	300%
Operational profit (without one-offs)	26.258	-	771.863	(200.653)	

Business Applications and Software Pillar in Q1 2024

Elían Solutions & Kepler Management

For the two companies implementing the Microsoft Business Central ERP solution, the first three months marked a percentage increase in turnover with support and maintenance services (from 24% of turnover in 2023 to 40% of turnover in Q1 2024). The dynamics were also given by legislative changes imposed (such as the implementation of solutions for optimizing e-invoice processes or Ro-Transport). Turnover reached 43 million RON, up 26% compared to the turnover recorded in Q1 2023.

Revenues from the sale of licenses registered a decrease in total turnover (from 38% in Q1 2023 to 33% in Q1 2024). The decrease comes as the proportion of SaaS (Software as a Service) licensing has increased compared to on-premises licensing. In other words, we are talking about monthly recurring revenues generated by the monthly fee for licensing the ERP solution in SaaS at the expense of one-time revenues generated in previous years from the sale of on-premises licenses.

Revenues from implementation registered a decrease in Q1 2024 (from 38% revenues in Q1 2023 to 27% of revenues in Q1 2024): the decrease comes as a result of the sustained effort of the Elían implementation team to consolidate projects started in the second part of 2023 and which went live in

the first quarter of 2024. The decrease is in accordance with the cyclicity/dynamics specific to ERP system implementation activity. Alongside the figures from Elian, total revenues of 1.24 million RON were achieved by Kepler in Q1.

After signing the transaction at the end of last year, we completed the integration of the two teams (Elian & Kepler), with Kepler's resources being allocated to the existing teams in Elian (consulting, programming, and support).

We have implemented operational indicators at the level of the extended team to have better traceability on tasks, resource loading, and achievement of objectives. We have a single product, e-invoice, which we implement across the entire client portfolio and aim to implement Elian's localization to all Kepler clients.

Considering the integration of teams and operational and business flows of the two companies, starting with Q2, we have started the analysis for the merger procedures in which Elian Solutions will be the absorbing company and Kepler the absorbed company, thus at the end of this process estimated to be completed during the year 2024, the two companies will operate under a single legal entity.

Extension and supplementation of a banking credit product Unicredit - Elian

At the beginning of February, Elian extended the revolving ceiling credit product from Unicredit Bank. The contract was extended under similar conditions: the interest rate for the used balance: ROBOR_{3M} + the bank's fixed margin of 3%, and the new maturity is at 12 months – February 2025. The ceiling in the maximum amount of 16 million RON is intended to finance working capital and current activity, and the structure of the guarantees is composed of a movable mortgage on the Elian Solutions SRL accounts opened at Unicredit Bank and a general assignment of claims.

Nenos Software & Nonlinear

The first quarter debuted for Nenos and Nonlinear with a new collaboration alongside the team from BlackShark.ai (Austria). Their product extracts information about the planet's infrastructure from satellite and aerial images in real-time through AI (Machine Learning) on a global scale. The results can be used for visualization, simulation, mapping, and augmented reality, being used by clients from the military and government sectors.

New product: In this first quarter, we launched our new product deDup, a specialized tool for SharePoint equipped with an intuitive interface that allows users to easily identify and eliminate duplicate files. deDup identifies duplicates without accessing, reading, or retaining the analyzed files, thus contributing to the creation of a more orderly, accessible, and efficient SharePoint environment with a positive impact on the organization's costs. Our first client, one of the most important owners and operators of shopping centers in Central and Eastern Europe (CEE), is already successfully using this product.

Nenos Academy: Following the success achieved by Nenos Academy in previous editions, we are prepared to bring some novelties to our educational program. Firstly, starting at the end of May, we are launching a new course - DevOps Engineer, focused on equipping participants with advanced skills in using the Azure ecosystem. Also, starting this year, Nenos Software sponsors the academy program by subsidizing 20 scholarships for the 3 learning programs awarded based on performance in the logic test and a letter of motivation.

A priority is the expansion of the team by recruiting passionate and expert developers in the field to increase Nenos' capacity to take on new projects. At the same time, we will continue to train the current team on new technologies.

Business Apps & Software	31.March.2024	31.March.2023	Evolution
Revenues from customer contracts	6.617.143	4.113.009	60,88%
IT services	5.128.946	2.784.170	84,22%
Sale of goods	1.488.197	1.328.839	11,99%
Cost of sales	(4.875.843)	(3.128.557)	55,85%
Goods/materials	(1.151.401)	(1.003.086)	14,79%
Cloud services	-	-	-
Man-hours	(3.724.442)	(2.125.471)	75,23%
Gross margin	1.741.300	984.452	76,88%
Other revenues	25.465	6.638	283,62%
Selling/distribution expenses	(412.071)	(216.773)	90,09%
Man-hours	(233.602)	(166.897)	34,7%
Advertising	(178.469)	(43.360)	311,6%
Administrative expenses (including)	(965.178)	(746.609)	29,3%
Man-hours	(615.361)	(294.592)	108,9%
Amortization	(239.227)	(132.824)	80,11%
Other third-party expenses	(126.043)	(109.210)	15,41%
Miscellaneous	54.786	65.009	-15,7%
Operational profit (without one-offs)	389.516	27.709	

Education Pillar in Q1 2024

In the first quarter of 2024, within the Education pillar, the development of over 33 video courses was completed, which will become a base in the subscription format we are preparing to launch by the end of the year.

Together with colleagues from Nenos, we launched two development programs in an academic format conducted with an instructor for training full stack web developers and python developers. We also launched an in-house training product - CyberShield – for all employees in companies through which we aim to prepare them for cyber threats.

Within the pillar, we continued the efforts to build course plans for over 20 clients and intensified the efforts to obtain financing for these from the main technology manufacturers. Thus, we created a pipeline of projects of approximately 310,000 euros which will be delivered in Q2.

In the first quarter of the year, we continued efforts to improve conversions in the area of marketing by consolidating efforts in digital marketing – PPC (pay per click), SEO (search engine optimization), online events, and UI/UX optimizations of the website. We generated total projects with a potential sale of 228,000 eur, of which by the end of Q1, we closed with the status "won" approximately 22,000 EUR, still having projects in discussions of 173,000 EUR.

These are added to projects generated last year and closed/delivered this year with the status "won" in the value of 17,000 EUR. In Demand Generation, we approached 153 prospects through the lead generation process, 9% more compared to the similar period of the previous year. Following the interactions, 11 opportunities with a potential sale of 38,000 EUR were generated, which were transferred to the sales team, converting them into business opportunities.

233 represents the total number of new opportunities created by the Sales team in the first quarter. We won 43% of these with a total value of approximately 440,000 eur. The remaining opportunities still open have a closing deadline at the end of the second quarter, having a total aggregated value of 941,000 eur.

In the BID&Financing team, we focused on identifying and developing opportunities in both projects financed from European funds and those supported by the state budget. In January, we submitted a project with European funding in which Bittnet is the beneficiary. Through this project, we aim to provide our clients with free access to some Bittnet courses specially chosen for this endeavor. We closed 12 opportunities with the status "won" and with a total figure worth 169,000 eur. In Q1, we managed over 80 requests for training projects from the portfolio or customized and contributed to the submission of 7 projects for B2B and B2G tenders by preparing the documentation of trainers and supporting 2 sessions of demonstrative webinars. Also, we successfully conducted a total of 55 classes comprising a total of 1,404 students.

Education pillar	31.March.2024	31.March.2023	Evolution
Revenues from customer contracts	2.008.939	2.906.054	-30,87%
Cost of sales	(1.263.529)	(1.628.351)	-27,98%
Gross margin	745.410	1.277.703	-34,71%
Other revenues	29.931	-	
Selling/distribution expenses	(1.089.868)	(1.084.137)	0,53%
Man-hours	(901.825)	(969.798)	-7,01%
Advertising	(188.043)	(114.338)	64,46%
Administrativ expenses (including)	(913.143)	(1.504.541)	-34,74%
Man-hours	(350.612)	(710.798)	-39,2%
Amortization	(233.840)	(418.141)	-44,08%
Other third party expense	(187.557)	(184.622)	1,59%
Miscellaneous	(59.592)	(108.434)	-45%
Operational profit (without one-offs)	(1.227.670)	(1.341.730)	

Cost allocated to the Group in Q1 2024

In addition to the operational flows generated by the current activity of the companies comprising the consolidation perimeter, the group also incurs specific expenses related to the organization of the holding type as well as from M&A activity or expenses related to the issuance and maintenance of financial instruments traded on the Bucharest Stock Exchange system.

Group costs	31.March.2024	31.March.2023	Evolution
Other revenues	501	-	
Selling/distribution expenses	<u>(292.548)</u>	<u>(120.542)</u>	143%
Man-hours	(116.151)	(83.660)	38,8%
Advertising	(176.397)	(36.881)	378%
Administrative expenses (including)	<u>(1.805.237)</u>	<u>(725.214)</u>	148,9%
Man-hours	(1.176.251)	(187.050)	528%
Amortization	(269.544)	(147.703)	82%
Other third party expenses	(302.612)	(223.081)	36%
Miscellaneous	(50.235)	(166.877)	-70%
Operational profit (without one-offs)	(2.097.284)	(845.755)	

Financial Position and Performance of the Issuer and its Subsidiaries in Q1

At the end of Q1 2024, fixed assets registered a value of 140 million RON compared to 103 million RON at the end of Q1 2023, very slight increase compared to the end of the year 2023 when they amounted to 139 million RON. The increase is entirely due to the increase in goodwill as a result of the M&A transactions with Dataware and Kepler.

Current assets at the consolidated level had an inverse dynamic: from 123 million RON at the end of Q1 2023 to 92 million RON at the end of Q1 2024. This decrease is largely due to the reduction of the cash position between reporting periods (from 43 million to 22 million RON) and also the reduction of the financial assets position from 14,7 to 9,6 million RON especially due to the decrease in the value of our minority holding in Softbinator Technologies (CODE). Inventories recorded a descending trend at a value relatively constant compared to the end of 2023 but reduced compared to Q1 2023 when they had an atypically high value (6,5 million RON in Q1 2024, 11,7 million RON in Q1 2023, and 4,2 million RON in FY2023). The position of trade receivables from customers remained at a constant level in slight increase at the end of the quarter compared to the similar period of the previous year: 54 million RON at Q1 2024 vs 53 million RON at Q1 2023.

Turning to liabilities, long-term debt increased from 37 to 67 million RON especially due to new bond issuances contracted in the second semester of 2023 – BNET27A and BNET28. Short-term debts decreased from 101 million to 80 million RON especially due to the repayment of bond issuances that

matured in 2023 and the issuance of new bonds with long-term maturity (years 2027 and 2028). The largest position in total short-term debts is represented by Trade Debts which also had a descending dynamic from 68 million RON at Q1 2023 to 63,8 million RON at Q1 2024 (and compared to 126 million RON at the end of 2023).

As in previous years, trade debts are fully covered by receivables from customers plus invoiced inventories and the cash position covers bank and bond debts on the short term by 3.5x.

Bittnet Group (consolidat)	31.March.2024	31.March.23	Evolution
Revenue from customers	44.136.861	53.559.644	-17,6%
Revenues from IT services	18.463.582	15.604.114	18,33%
Sales of goods	25.673.279	37.955.530	-32,26%
Cost of sales	(36.530.194)	(44.975.914)	-18,78%
Cost of selling goods/materials	(22.845.144)	(34.010.363)	-32,83%
Cloud services	(1.472.526)	(1.205.584)	22,14%
Man-hours	(12.212.525)	(9.759.968)	25,13%
Gross margin	7.606.666	8.583.730	-11,38%
Other revenues	339.698	686.441	-50,51%
Cost of selling goods/materials	(5.130.609)	(3.892.148)	31,82%
Man-hours	(4.223.616)	(3.530.521)	19,63%
Advertising	(906.993)	(361.626)	150,81%
Administrative expenses (including)	(10.766.847)	(7.853.867)	37,1%
Man-hours	(5.320.734)	(3.514.416)	60,36%
Amortization	(2.537.583)	(1.810.373)	40,17%
Other third party expenses	(1.335.716)	(1.028.535)	29,87%
Operational profit (without one-offs)	(7.951.091)	(2.355.010)	
EBIT	(7.951.091)	(2.475.844)	
EBITDA	(5.413.508)	(665.471)	

Consolidated turnover decreased by almost 18% compared to the same period last year, while the cost of sales also decreased by a similar percentage. This decrease is given both by the seasonality of the businesses, which have the lowest concentration in the first quarter of the year, and by the fact that we have chosen better the projects we want to deliver in the Digital Infrastructure pillar – especially those focused on a considerable component of IT service provision. This is reflected in the increase in service revenues which had a positive dynamic (+18% in Q1 2024 vs Q1 2023). The gross margin also recorded a slower decrease than the turnover, standing at the end of the quarter at the value of 7,6 million RON (-11% vs Q1 2023). Selling and distribution expenses as well as administrative expenses increased by percentages between 31% and 37% through the expansion of the consolidation perimeter (in Q1 2023 we did not have the companies Dataware and Kepler included in the results).

The evolution of the diminished gross margin due to both the decrease in turnover and the indirect expenses due to the expansion of the consolidation perimeter translated into a negative operational result of almost 8 million RON.

The financial result recorded a significant decrease compared to the similar period of the previous year: a loss of almost 3 million RON versus a loss of 574 thousand RON in Q1 2023. Thus, the consolidated net result is a loss of 9,7 million RON while the gross result is a loss of 11,2 million RON.

Consolidated Cash Flow

From the point of view of cash flows, characteristically for the first three months of the year, the operational loss as well as the fact that a series of debts to suppliers for projects delivered to customers in Q4 2023 reached maturity only in Q1 were the elements that led to the generation of a cash outflow of 39 million RON (from the over 70 million RON that the group had at the end of last year).

Even so, we still consider that we have sufficient cash resources to be well positioned in the delivery of the following period of significant projects in progress but also to access additional resources if necessary (either through bank lending or from the capital market through bond loans) for participation in large projects that also involve a pre-financing component.

Trailing Twelve Months results

As at every reporting period, we present below the group's results from an annualized perspective (last "12 months") to have an image of the medium/long term evolution of the business.

RON	Trailing 12M Q1 2024	Trailing 12M Q1 2023	Evolution
Revenue from Customer Contracts	366.109.395	212.867.298	71,99%
Cost of Sales	(300.943.680)	(168.035.095)	79,1%
Gross Margin	65.165.715	44.832.203	45,35%
Other Income	4.823.022	4.003.266	20,48%
Sales/Distribution Expenses	(19.670.995)	(14.906.135)	31,97%
Administrative Expenses	(43.574.322)	(28.056.509)	55,31%
EBITDA	6.743.421	5.872.825	14,82%
EBIT	120.843	(151.315)	179,86%
One-off Result	6.622.587	6.024.140	9,93%
Operational Profit (excluding one-offs)	(1.213.172)	(733.270)	65,45%
SOP Expenses	(596.100)	(1.664.493)	-64,19%
Pre-M&A Costs	-	(495.000)	-
Impairment goodwill	(119.961)	289.043	-141,5%
Gain/(loss) from equity securities	(10.975.693)	(5.083.041)	115,93%
Financial Income	(6.161.506)	(1.813.937)	-239,68%
Financial Expenses	(19.809)	(219.617)	-90,98%
Gross Profit	(6.141.697)	(1.594.320)	-285,22%
Tax on Profit	(10.913.198)	(4.297.270)	-153,96%
Net Profit, from which:	4.771.501	2.702.950	76,53%

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.

Indicators according to Annex 13 Reg. ASF 5 / 2018

Indicator (formula)	31.03.2024	31.03.2023	31.03.2022
Current liquidity ratio (Current assets / Current liabilities)	1,15	1,21	1,56
Indebtedness indicator (long term liabilities / Equity) x 100	79%	42%	62%
Turnover speed of debits - customers (Average customer balance / turnover) x 90 days	110 days	84 days	80 days
Fixed asset turnover rate (Turnover / Fixed assets)	0,31	0,52	0,58

Investor Relations contact:

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<https://investors.bittnet.ro>

Annex – ‘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 Q1 2024 (unaudited)

BITTNET SYSTEMS SA

INTERIM CONSOLIDATED FINANCIAL STATEMENTS,
UNAUDITED,

Prepared in accordance with
Order of the Minister of Public Finance
no. 2844/2016,
for 3 months ended 31 March 2024

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31 March 2024	31 March 2023
Revenues from contracts with customers	44,136,861	53,559,644
Cost of sales	(36,530,194)	(44,975,914)
Gross margin	7,606,666	8,583,730
Other revenues	339,698	686,441
Sales expenses	(5,130,609)	(3,892,148)
General and administrative expenses	(11,081,773)	(8,029,197)
Other expenses	-	(93,591)
Profit/(loss) – Investments accounted for using the equity method	(11,539)	(12,633)
Financial revenues	(1,567,239)	1,052,005
Financial expenses	(1,370,796)	(1,613,690)
Gross profit	(11,215,590)	(3,319,083)
Income tax	1,508,943	577,795
Net Profit, of which:	(9,706,648)	(2,741,289)
related to the parent company	(9,152,604)	(2,844,360)
related to minority interests	(554,043)	103,071
Net Profit	(9,706,648)	(2,741,289)
Other comprehensive income	-	-
Total comprehensive result	(9,706,648)	(2,741,289)
related to the parent company	(9,152,604)	(2,844,360)
related to minority interests	(554,043)	103,071

The interim consolidated financial report was approved and signed on May 10th , 2024

Mihai Logofatu
 CEO

Adrian Stanescu
 CFO

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31 March 2024	31 Dec 2023
ASSETS		
Fixed assets		
Goodwill	89,398,454	89,398,454
Other intangible assets	9,467,129	9,653,554
Property, plant and equipment	32,262,540	32,699,563
Investments accounted for using the equity method	2,786,346	2,797,885
Other financial fixed assets	943,896	695,987
Deferred tax	5,399,688	3,796,271
Total fixed assets	140,258,053	139,041,714
Current assets		
Inventories	6,548,208	4,226,836
Trade receivables and other receivables	54,571,893	79,561,980
Financial assets at fair value	9,674,973	11,356,744
Cash and cash equivalents	22,140,608	70,013,171
Total current assets	92,935,681	165,158,731
TOTAL ASSETS	233,193,735	304,200,445
EQUITY AND DEBTS		
Share capital	63,417,672	63,417,672
Share premium	31,934,768	31,934,768
Other equity items	(2,657,737)	(5,830,661)
Reserves	1,355,734	1,355,734
Retained earnings	(12,903,351)	(3,750,746)
Capital related to the parent company	81,147,086	87,126,767
Non-controlling interests	3,931,475	4,485,519
Total equity and reserves	85,078,562	91,612,286
Long-term debts		
Bonds	24,344,503	24,340,699
Bank loans	18,940,311	18,976,363
Leasing liabilities	19,094,127	19,184,757
Long-term debts	5,000,000	5,000,000
Total long-term debts	67,378,941	67,501,819
Current debts		
Bonds	48,113	47,458
Bank loans	6,240,110	8,542,343
Leasing liabilities	6,720,107	6,419,839
Dividends payable	3,171,230	3,265,428
Profit tax liabilities	678,503	622,641
Trade payables and other debts	63,878,169	126,188,631
Total current debts	80,736,232	145,086,340
Total debts	148,115,173	212,588,159
TOTAL EQUITY AND DEBTS	233,193,735	304,200,445

CONSOLIDATED CASH FLOW STATEMENT

	31 March 2024	31 March 2023
Gross profit	(11,215,590)	(3,319,083)
Adjustments for:		
Depreciation expenses	2,537,583	1,810,373
Expenses with sold assets	830	4,240
Benefits granted to employees SOP	314,926	175,330
Expenses related to the acquisition	-	93,591
Interest expenses and other financial costs	1,232,348	1,140,941
Interest revenues and other financial revenues	205,318	299,023
Securities investment gains	1,681,771	(998,099)
Gain from investments accounted for using the equity method	11,539	12,633
Operating profit before working capital change	(5,231,276)	(781,051)
Variation of receivables account balances	24,604,499	7,485,871
Variation of stock account balances	(2,321,372)	(8,967,993)
Variation of accounts payable balances	(56,310,462)	144,589
Cash generated from operation	(39,258,611)	(2,118,584)
Profit tax paid	(38,613)	(74,978)
Net cash from operating activities	(39,297,224)	(2,193,562)
Investment activities:		
Payments for the purchase of subsidiaries, minus purchased cash	(6,000,000)	(6,240,758)
Payments for the purchase of participating interests	-	(841,345)
Loans granted to related entities	150,000	(450,000)
Acquisitions of tangible and intangible assets	(219,997)	(962,859)
Other financial investments	-	-
Dividends collected	-	-
Interest collected	102,211	52,303
Net cash from investment activities	(5,967,785)	(8,442,659)
Financing activities:		
Proceeds from share issue	-	29,711,247
Sell of own shares	2,857,998	-
Drawdowns from bank loans	(2,338,285)	(5,275,703)
Receipts/reimbursements from bonds	-	(10,000,000)
Payments of leasing liabilities	(1,805,179)	(1,328,011)
Interest paid	(1,227,890)	(1,737,458)
Dividends paid related to minority interests	(94,198)	-
Net cash from financing activities	(2,607,554)	11,370,075
Net increase in cash and cash equivalents	(47,872,563)	733,853
Cash and cash equivalents at the beginning of the financial year	70,013,171	42,300,365
Cash and cash equivalents at the end of the financial year	22,140,608	43,034,218

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Capital social	Prime de emisiune	Alte elemente de capitaluri proprii	Rezerve legale	Rezultat reportat	Total capitaluri	Interese care nu contoleaza	To
31 dec 2022	52,848,060	9,738,583	(11,390,433)	1,324,823	1,149,789	53,670,822	3,823,943	
Profit net	-	-	-	-	(2,844,360)	(2,844,360)	103,071	
Alte elemente ale rezultatul global	-	-	-	-	-	-	-	
Total Rezultat global	-	-	-	-	(2,844,360)	(2,844,360)	103,071	
<i>Tranzactii cu actionarii</i>	-	-	-	-	-	-	-	
Majorari de capital social	10,569,612	22,196,185	(54,550)	-	-	32,711,247	-	
Beneficii acordate angajaților SOP	-	-	175,330	-	-	175,330	-	
Repartizare dividende	-	-	-	-	-	-	-	
Repartizare rezerva legala	-	-	-	-	-	-	-	
31 martie 2023	63,417,671	31,934,768	(11,269,652)	1,324,823	(1,694,572)	83,713,039	3,927,014	
	Capital social	Prime de emisiune	Alte elemente de capitaluri proprii	Rezerve legale	Rezultat reportat	Total capitaluri	Interese care nu contoleaza	To
31 dec 2023	63,417,671	31,934,768	(5,830,661)	1,355,734	(3,750,746)	87,126,767	4,485,519	
Profit net	-	-	-	-	(9,152,604)	(9,152,604)	(554,043)	
Alte elemente ale rezultatul global	-	-	-	-	-	-	-	
Total Rezultat global	-	-	-	-	(9,152,604)	(9,152,604)	(554,043)	
<i>Tranzactii cu actionarii</i>	-	-	-	-	-	-	-	
Majorare de capital social	-	-	-	-	-	-	-	
Vanzare actiuni proprii	-	-	2,857,998	-	-	2,857,998	-	
Beneficii acordate angajaților SOP	-	-	314,926	-	-	314,926	-	
Repartizare dividende	-	-	-	-	-	-	-	
Repartizare rezerva legala	-	-	-	-	-	-	-	
31 martie 2024	63,417,671	31,934,768	(2,657,737)	1,355,734	(12,903,351)	81,147,086	3,931,475	

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>31 march 2024</u>	<u>31 dec 2023</u>
subsidiary - % ownership		
Dendrio Solutions	88.001%	88.001%
Dataware Consulting, 71,13% prin Dendrio Solutions	100%	100%
Top Tech, 46% prin Dendrio Solutions	86%	86%
2Net Computer, prin Dendrio Solutions	100%	100%
IT Prepared	50.2%	50.2%
Equatorial Gaming	98.99%	98.99%
Equatorial Training, prin Equatorial Gaming	100%	100%
Computer Learning Center	100%	100%
Fort (fosta Global Resolution Experts)	58.87%	58.87%
GRX Advisory, prin Fort	58.87%	58.87%
ISEC Associates, prin Fort	58.87%	58.87%
Elian Solutions	51.02%	51.02%
Kepler Management Systems, 75,8% prin Elian Solutions	100%	100%
Nenos Software	60.97%	60.97%
Nonlinear	60%	60%
 INTERESE MINORITARE		
E-Learning Company	23%	23%

The Group has over 400 employees and collaborators, who work for one of the 16 companies included in the group (Bittnet Systems, Dendrio Solutions, Dataware Consulting, Top Tech, 2Net Computer, IT Prepared, Equatorial Gaming, Equatorial Training, Computer Learning Center, Fort (fosta Global Resolutions Experts), GRX Advisory, ISEC Associates, Elian Solutions, Kepler Management Systems, Nenos Software, Nonlinear).

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 2NET Computer – September 2022, Dataware Consulting – May 2023, Kepler Management Systems – November 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 (equity investment) from a 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.

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

a) Education Division/ Business Unit

This division contains 4 companies (Bittnet Systems, Computer Learning Center, Equatorial Gaming and Equatorial Training, to which the minority holding in The E-Learning Company was added), which offers training to adults in two fields: Technical Skills and Human Skills both in classic format, face-to-face, Virtual Remote but also led by an instructor or in eLearning format. The trainings offered allow experts access to technology 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 contains project management, IT service management, business intelligence, CRM, ERP, Agile, etc.

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.

Change of legal form and shareholding structure in April 2024

At the end of April 2024, Bittnet decided (together with the founding shareholder of Equatorial Gaming who still owned 1% of the company) to change the legal form of organization of Equatorial Gaming from joint-stock company (SA) to limited liability company (SRL). Also, the founding shareholder agreed to transfer at nominal value the minority holding he still had in Equatorial Gaming to Bittnet Systems, respectively the transfer of all 1,430 registered ownership shares, with a nominal value of 1 lei and a total value of 1,430 ron. Following the operation of the registrations at the Trade Registry level, Equatorial Gaming will be 100% owned by Bittnet Systems.

Computer Learning Center

In August 2021, Bittnet informed the investors about the signing of the share purchase agreement for the takeover of the IT training company – Computer Learning Center.

The purchase price for 100% of the Computer Learning Center (CLC) company was 725,000 ron, an amount that was settled in 2 installments: the first tranche, worth 225,000 ron, was paid by payment order during August 2021, and the 2nd tranche - in the amount of 500,000 lei, conditional on the removal from CLC's patrimony of assets that are not relevant for the company's current activity - was paid in January 2022.

Bittnet Group thus consolidated its Education division and expanded its portfolio of certifications, especially in the cyber security sector. CLC works with more than 30 certified trainers and has delivered more than 2,500 courses to 15,000 participants in recent years.

Following the entry of Bittnet Systems into the shareholding, a loan agreement was signed by the parties in September 2021 by which Bittnet made available to Computer Learning Center the sum of 560,000 ron for working capital financing for a maximum period of 3 years and an interest of 9% per year. The loan was successively increased up to the amount of 2,405,000 ron in the period October 2021 - June 2022, and later it was partially repaid in August - September 2022 and then increased again during 2023 and in Q1 2024, the remaining balance at 31.03.2024 being worth 1,780,000 ron. Computer Learning Center was consolidated in the financial statements starting from September 2021.

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 loan was repaid in full during May 2022. During 2023, a new loan agreement was concluded between Bittnet Systems and ELC, in amount of 450,000 ron.

b) Digital Infrastructure BU (Cloud & Infrastructure)

This division contains 5 companies (Dendrio Solutions, Dataware Consulting, Top Tech, 2Net Computer and IT Prepared) that offer complex IT solutions to clients in the corporate, large corporate, enterprise and public sector segments from all over the country but also from abroad (especially EEC and USA). The solutions offered start from the physical infrastructure of communications, perimeter security, video systems, digital signage systems and computing and printing systems and continue with the design and implementation of complex IT architectures such as data center/hybrid or cloud, enterprise networking, cyber security and the implementation of related software platforms, including collaboration platforms (of the modern workplace type). The services offered are both in the classic regime (project-based) and in the "managed services" format, the managed ones being delivered mainly to customers in mature markets, in Europe and in the United States.

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.

Consolidation of the Digital Infrastructure division/business unit under Dendrio Solutions and increase in capital – April 2024

As part of the plan to restructure and simplify the structure of the Bittnet group, in April 2024 the management of the Group took the decision to consolidate holdings from the pillar of Digital Infrastructure under the legal entity Dendrio Solutions. Thus, Agista Investments and Bittnet Systems, both shareholders in Dendrio Solutions and in Top Tech, transferred their holdings in the company Top Tech (Agista Investments - 14% and respectively Bittnet Systems - 40%) to Dendrio Solutions for a total amount of RON 14,464 .286. Bittnet Systems also sold its holding in Dataware Consulting (28.87%) to Dendrio Solutions for a total amount of RON 14,435,000. As a result of these transactions, Dendrio Solutions will end up owning individually, directly, 100% of the shares of Top Tech and Dataware Consulting, considering the IT&C solution and service integrator profiles that the 3 companies have. Following the transactions described above, the sellers (Agista Investments and respectively Bittnet Systems) will be allocated shares in Dendrio Solutions as part of a capital increase through the recognition and conversion of certain liquid and payable receivables. Also within this operation, the claims of the 2 co-founders of Dataware Consulting - Constantin Savu and Catalin Georgescu - will be converted into capital (allocated Dendrio shares) in a total amount of 5,000,000 ron, according to the 30% difference assignment contract from the Dataware Consulting company to the Bittnet group. Following these operations, the equity capital of Dendrio Solutions will be increased by approximately 33.9 million lei through the contribution of the current associates, Bittnet Systems and Agista Investments, as well as the 2 new associates, and the resulting shareholding structure will be: Bittnet Systems – 84 .7245%, Agista Investments – 11.7765%, Dataware co-founders - Constantin Savu and Catalin Georgescu - 3.499%. Considering the value of the converted receivables and the new shareholding structure, the market valuation of IT&C integrator Dendrio Solutions post-increase amounts to app. 143 million RON.

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 co-optation of Agista as an investor in Top Tech, the Top Tech shareholding structure is as follows: Bittnet Systems owns 160 shares, representing 40% of Top Tech, and Dendrio Solutions SRL owns a number of 184 shares, representing 46% of Top Tech.

Shareholder structure changes – April 2024

As part of the plan to simplify the structure of Bittnet group, and to consolidating the holdings in the Digital Infrastructure pillar under the legal entity Dendrio Solutions, in April 2024 Agista Investments and Bittnet Systems agreed to sell their minority holdings in Top Tech (Agista Investments - 14 % and respectively Bittnet Systems - 40%) to Dendrio Solutions for a total amount of 14,464,286 ron. Following the registration of the new capital structure in the records of the Trade Registry, Top Tech will be 100% owned by Dendrio Solutions.

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. 2Net Computer SRL was consolidated in the financial statements from September 2022.

Dataware Consulting SRL

Dataware Consulting 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. Dataware Consulting entered the Bittnet group starting in June 2023 through the acquisition by the Group of a 70% stake in the social shares (following the M&A transaction, Bittnet Systems owned 18.87% and Dendrio Solutions owned 51.13%). The total price of the transaction was 19,861,795 ron, of which the equivalent of 5,000,000 ron 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. In December 2023, the Group's Management decided to fully acquire the minority interests in Dataware Consulting from its founders, namely the percentage of 30%. The purchase price was set at 3,000,000 euro, to be paid as follows:

- partly in cash by Bittnet Systems, the equivalent in RON of 1,000,000 euro, installment paid 2 days after signing the completion certificate in January 2024.
- partially in equivalent: respectively social parts (shares) of Dendrio Solutions to be allocated to the two co-founders of Dataware as part of a capital increase operation, an operation started in April 2024 and which is in the process of implementation. The convertible value of the debt of the two co-founders of Dataware is 1,000,000 euro. According to the contract of assignment of social parts, the 2 co-founders of Dataware were allocated 2 seats in the Board of Directors constituted at the level of Dendrio Solutions, in April 2024. The co-founders of Dataware thus remain in the management and development of the two IT integrators (Dataware Consulting and Dendrio Solutions) considering that the 2 companies have a similar business profile and complementary skills on various technologies.
- partly in cash: 1,000,000 euro, amount that will be paid in ron at the exchange rate from the date of the bank transfer, until 31.05.2025 at the latest.

On 03.01.2024, the completion certificate on the transaction was signed, after obtaining the agreement on the transaction from the Competition Council, and the necessary registrations were also made at the Trade Registry Office, so that the ownership percentages in Dataware Consulting are: Dendrio Solutions – 71.13% and Bittnet Systems SA – 28.87% of the share capital and voting rights.

Shareholder structure changes - April 2024

As part of the plan to simplify the structure of the Bittnet group, as well as with a view to consolidating the holdings in the Digital Infrastructure pillar under the legal entity Dendrio Solutions, in April 2024 Bittnet Systems sold the minority holding of 28.87% to Dendrio Solutions for a total amount of 14,435,000 ron. Following the registration of the new capital structure in the records of the Trade Registry, Dataware Consulting will be 100% owned by Dendrio Solutions.

Dataware Consulting was consolidated in the financial statements of Bittnet group since June 2023.

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 ITPrepared on 31.12.2022), was paid to the founders of ITPrepared 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.

c) Cybersecurity Business Unit

Currently, this division contains 3 companies (Fort S.A. - formerly Global Resolutin Experts, GRX-Advisory and ISEC Associates) that offer cyber security services to corporate, large corporate, enterprise and public sector clients from all over the country. ISEC Associates In August 2021, the Group informed investors about the signing of the share purchase agreement for the takeover of the cyber security company - ISEC Associates SRL. The purchase price for the purchase of 69.99% of the shares of ISEC Associates was 295,000 ron, the amount which was paid in a single installment, by bank transfer, to the founding shareholder, Alexandru Andriescu. ISEC Associates is a company founded in 2003 specializing in full-service security auditing, consulting and testing. ISEC helps companies identify, assess, secure and manage information security. By acquiring ISEC, Bittnet has developed its position in the cyber security market. Following the entry of Bittnet Systems into the shareholding, a loan agreement was signed by the parties through which the Issuer made available to ISEC Associates the sum of 370,000 lei for working capital financing for a maximum period of 3 years and an interest rate of 9% per year. The loan was successively increased up to the amount of 650,000 lei in February - June 2022 and respectively in 2023.

ISEC capital increase – September 2023

In September 2023, ISEC Associates agreed to convert into capital the amount of 716,990 ron, conversion which was made at the nominal value and which represented certain liquid and payable claims held by Bittnet Systems (501,893 ron, representing part of the loan granted) and by Provision Software (215,097 ron, representing receivables from the normal course of business) on ISEC Associates. Thus, the share capital of ISEC was increased up to the value of 767,200 ron, registrations also operated at the level of the Trade Register.

Acquisition of ISEC by Fort – October 2023

Considering the new operational organization of the group in the 4 pillars of business (business units) but also taking into account the fact that a listing on the AeRO market of BVB is aimed for the pillar of Cybersecurity - organized around FORT (formerly Global Resolution Experts SA), the management of the Group decided to organize all the companies that have as their object of activity the field of cyber security under the entity that is to become public, Fort. Thus, the group's first investment in a cybersecurity company, ISEC Associates, was transferred from the direct control of Bittnet Systems (which owned 69.99% of the capital), to Fort - which currently owns 100% of ISEC Associates. In this sense, the assignment contract of 26.10.2023 was signed between the former associates of ISEC Associates (Bittnet Systems, Mr. Andriescu Alexandru and Provision Software) – assigning associates and Fort – the assigning associate. The agreement provides for the full sale of ISEC Associates to FORT for the amount of 2,850,000 ron (the price of the transaction was established by the Decision of the Fort AGM dated 30.05.2022). On 30.10.2023, the Trade Register completed the registration of the mentions regarding the transfer of the ISEC shares, in this sense Fort SA being registered as the sole associate of ISEC, holding 100% of its share capital. According to the share transfer agreement, the transferor partners agreed that in exchange for the transaction price, FORT shares will be allocated to them in a future operation to increase the share capital through the conversion of resulting receivables. Consequently, the transaction price did not involve the payment of any amount of money by Fort for the full acquisition of ISEC.

ISEC Associates was consolidated in the financial statements starting from September 2021.

Fort SA (formerly Global Resolution Experts) & GRX Advisory (GRX-A)

Fort, formerly Global Resolution Experts S.A., (CUI 34836770), 58.87% owned by Bittnet Systems, is a professional services company in the cybersecurity area, offering penetration testing, but also design, implementation and maintenance of solutions of cybersecurity. Fort fully owns GRX Advisory SRL (CUI 43813325), with similar services.

The group initially acquired, in December 2021, a 74% stake in the shares of the "mother" company - Fort, and later at the end of 2021 it attracted a number of natural and legal investors, by selling 14% of Fort's shares.

The price paid for 74% of Fort shares was 11,425,600 ron, of which 5,150,400 ron were paid in December 2021 and 6,275,200 ron were paid between March and April 2022, after the completion of the audit for the financial results of the year 2021. The sale price for 14% of the shares held in Fort was 3,472,631 ron, the amount received in full in December 2021 – January 2022.

The services offered by Fort are similar to those offered by ISEC: professional services in the area of cybersecurity: IT compliance audit, Penetration test services for Web applications and IT infrastructure, for

beneficiaries from Romania and the European Union; Design, implementation and maintenance services for IT management systems and information security for compliance with ISO27001, ISO9001, ISO20000 standards; Design services of controls and IT security systems to be implemented (VPN, Antivirus/AntiX, DLP, NAC, IDS/IPS); Architecture design services, IT infrastructure technical solutions regarding the integration of financial IT systems in the Public Cloud; Architecture design services technical IT infrastructure solutions for the implementation of complex IT systems in the public sector (without participation in the implementation of the respective solutions by the beneficiaries).

Fort capital increase – November 2023

In November 2023, the share capital of FORT SA was increased by the amount of 8,550 ron from the value of 90,000 lei to the value of 98,550 ron by allocating a number of 85,499 shares to the transferor associates of ISEC Associates (Bittnet Systems, Mr. Alexandru Andriescu and Provision Software), in proportion to the certain liquid and payable receivables that they held from the transfer of the ISEC shares to FORT and which were certified by the accounting expertise report dated 02.11.2023. This capital increase resulted from FORT's acquisition of 100% of ISEC Associates, whereby FORT acquired full control of ISEC. In addition to the subscribed and paid social capital, this operation also generated an increase in Fort's own capital, by recording the amount of 2,841,414 ron as issue premiums.

Fort private placement – December 2023

In December 2023, the Bittnet group informed the market about the successful completion of a private placement in order to increase the share capital through new cash contributions of FORT SA, an operation prior to the listing on the AeRO-SMT market and brokered by SSIF Tradeville. After analyzing the subscription orders received during the placement period, the Board of Directors of FORT decided to successfully close the placement at the price of 50 lei per share. Thus, the subscriptions of 34 investors were accepted, and it was decided to increase the company's capital by the amount of 1,676,350 lei, divided into 3,352.70 ron share capital and 1,672,997.30 ron issue premium.

Following the placement, Bittnet Systems' ownership in Fort is 58.87%. Fort and GRX-Advisory were consolidated in the financial statements from 31.12.2021 only at balance sheet level.

Starting from January 2022, Fort and GRX-A have been fully consolidated in the Group's financial statements.

d) Business apps/Platforms & software BU

Currently, this division contains 4 companies: Elian Solutions, Kepler Management Systems, Nenos Software & Nonlinear.

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 to the group's portfolio. Elian Solutions specializes in providing implementation services for ERP (Enterprise Resource Planning), Microsoft Dynamics NAV solutions. Elian is the only partner that 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.

Kepler Management Systems

In November 2023 the Group informed investors and the market about the signing of the share purchase agreement for the acquisition of Kepler Management Systems. Founded in 2007, Kepler Management is a company similar in profile and business to Elian Solutions, being one of the main Microsoft partners in Romania for the implementation and support of the Microsoft Dynamics 365 Business Central ERP (enterprise resource planning) solution. From an operational point of view, Kepler Management Systems will be integrated into the structure of Elian Solutions. The transaction price assumed a mix of cash and BNET shares as follows:

- 3,132,175 ron, the amount that was paid by payment order on the date of signing the assignment contract by Elian Solutions, which thus took over 75.8% of Kepler;
- 1,000,000 ron in Bittnet Systems shares (which thus took over 24.2% of Kepler), which would have been allocated to former Kepler associates in a future capital increase. Through an addendum to the share purchase agreement, the parties agreed to the cash payment of this tranche, the payment of which was made during January 2024;
- additionally, the transfer price also assumed a variable component determined as 1 x Kepler's individual EBITDA for the year 2023, the component in the amount of 1,517,005 ron which was calculated and paid in April 2024, after the closing of the individual annual financial statements of Kepler as follows: the amount of 1,149,889 ron by Elian Solutions, and the amount of 367,116 ron from Bittnet Systems – proportional to the holdings in Kepler.

Kepler Management was consolidated in the financial statements from November 2023.

Nenos Software & Nonlinear

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

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

- 50% of the transaction price (i.e. the amount of RON 2,425,000) was paid via bank transfer in the account of the sole shareholder of Nenos Software;
- According to the share purchase agreement, 50% of the transaction value would have been settled by allocating BNET shares in a capital increase operation. In March 2023, the parties agreed to sign an addendum to the sale-purchase contract of social shares, by which they determined that the payment of this installment should be made in cash, by bank transfer. Following the transfer, in March 2023, the transaction price was fully paid.

For purchasing 60% in Nonlinear SRL, the price of the transaction is RON 120 and is equal to the face value of the equity interests assigned.

Nenos Software is a custom software development company with a focus on Artificial Intelligence and Machine Learning (AI/ML). Nonlinear SRL is an SPV established to access European funding; the activity is one of product-based software development, focused on the development of a platform for digitalization and process automation within small and medium-sized companies using low code/no code and machine learning technologies. By taking majority stakes in Nenos Software and Nonlinear, Bittnet strengthened its position in the software development division, while also entering the artificial intelligence sector.

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

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.

Considering the current size of the Group, the General Assembly of April 20, 2023 approved the expansion of the Board of Directors to 5 members, as follows:

- 1) **Ivylon Management SRL** by **Mihai Alexandru Constantin Logofatu**. At the time of drafting this note, Mihai Logofatu holds a number of 55.651.882 shares, representing 8.77% 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 Companie's capital .

With the approaching expiration of the mandates of the Board of Directors, at the end of January 2024, the issuer convened the General Meeting of Shareholders for January 25, 2024 to elect a new Board.

Following the casting votes, the shareholders elected the new Board of Directors for a 4-year mandate, which has the following composition:

- 1) **Ivylon Management SRL** – executive administrator, through **Mihai Alexandru Constantin Logofătu**. On 31.03.2024, Mihai Logofătu owns a number of 55,651,882 shares, which represents 8.77% of the share capital. Mihai Logofătu is co-founder of Bittnet Systems.
- 2) **Anghel Lucian Claudiu** – non-executive administrator, who owns on 31.03.2024 a number of 5,468,395 shares of the Issuer, i.e. a percentage of 0.86% of the share capital.
- 3) **Eccleston Square Capital Limited** represented by **CIUCU BOGDAN-ANDREI** – non-executive administrator. On the date of election as member of the CA, Mr. However, the Eccleston company did not own shares of the issuer.
- 4) **CONSTANTINESCU GABRIEL-CLAUDIU** – non-executive administrator. On the date of his election as a member of the Board of Directors, Mr. Constantinescu did not own shares of the issuer.
- 5) **Quercus Solutions SRL** represented by **MICHEȘ PAUL** – non-executive administrator. On the date of election as member of the Board of Directors, Mr. Neither Micheș nor the company Quercus Solutions owned shares of the issuer

The operational management of Bittnet Systems is provided by: **Mihai Logofătu** – CEO and cofounder and **Adrian Stănescu** – CFO, together with **Cristian Herghelegiu** – VP for Technologies, who joined the executive team with the acquisition Gecad Net – and **Cristina Rațiu**, CEO for Education. The 4 persons are identified as key management from the IFRS perspective.

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 **3-month period ended March 31, 2024** 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 2023 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 year 2023 was characterized by a slower traction, a prolonged period of project completion and a greater requirement for the customization of delivered solutions. It was a year in which the IT industry felt cost-cutting strongly, and customers kept their budgets tight in the first part of the year, scrutinizing purchases more carefully and investing more cautiously. 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.

In all the scenarios taken into account, the Group will continue its operation, based on the principle of business continuity.

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.

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"

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.

With the exception of the evaluation of financial assets held for sale, the Group does not have assets and liabilities included in the financial statements that require the evaluation and/or presentation of fair value.

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.)
- **Digital Infrastructure (Cloud & Infrastructure)** - this division contains 5 companies (Dendrio Solutions, Dataware Consulting, Top Tech, zNet Computer and IT Prepared) that offer complex IT solutions to clients in the corporate, large corporate, enterprise and public sector segments from the whole country but also from abroad (especially the CEE and the USA). The solutions offered start from the physical infrastructure of communications, perimeter security, video systems, digital signage systems and computing and printing systems and continue with the design and implementation of complex IT architectures such as data center/hybrid or cloud, enterprise networking, cyber security and the implementation of related software platforms, including collaboration platforms (of the modern workplace type). The services offered are both in the classic regime (project-based) and in the "managed services" format, the managed ones being delivered mainly to customers in mature markets, in Europe and in the United States.
- **Cybersecurity** - this division contains 3 companies (Fort (formerly Global Resolutin Experts), GRX-A and ISEC Associates) that offer cyber security services to corporate, large corporate, enterprise and public sector clients from all over the country.
- **Business applications & Software development** - this division contains 4 companies: Elian Solutions, Kepler Management Systems, Nenos Software & Nonlinear. Elian Solutions and Kepler Management Systems are specialized in providing implementation services for ERP solutions (Enterprise Resource Planning), Microsoft Dynamics NAV. Elian is the only partner that 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. Nenos Software is a custom software development company with a focus on Artificial Intelligence and Machine Learning (AI/ML). Nonlinear SRL is an SPV established to access European financing; the activity is one of product-based software development, focused on the development of a platform for digitalization and process automation within small and medium-sized companies using low code/no code and machine learning technologies. The gross margin is the main indicator that the Management follows in evaluating the performance of each segment. Also, sales costs are tracked for each segment, while other general and administrative costs have not been allocated.

3 moths ended 31 march 2024	Education	Digital Infra	Cybersecurity	BA & Software	Total
Total revenue	2,117,500	34,163,862	3,035,419	6,920,064	46,236,844
Revenues between segments	(108,561)	(1,622,788)	(65,714)	(302,921)	(2,099,984)
Revenues from contracts with clients	2,008,939	32,541,074	2,969,704	6,617,143	44,136,861
Gross margin	745,410	4,229,593	890,363	1,741,300	7,606,666
Allocated selling costs	(1,089,868)	(3,131,232)	(204,890)	(412,071)	(4,838,061)
Unallocated selling costs					(292,548)
Margin, after sales costs	(344,458)	1,098,362	685,473	1,329,229	2,476,058
Other incomes	29,931	258,027	25,774	25,465	339,197
Other unallocated income					501
Allocated operating expenses	(913,143)	(6,713,226)	(684,989)	(965,178)	(9,276,535)
Unallocated operating expenses					(1,805,237)
Operational profit	(1,227,670)	(5,356,837)	26,258	389,516	(8,266,017)
Other expenses					-
Financial income/expenses					(2,949,573)
Gross profit					(11,215,590)

3 moths ended 31 march 2023	Education	Digital Infra	Cybersecurity	BA & Software	Total
Total revenue	3,036,793	44,224,264	3,080,944	4,323,329	54,665,329
Revenues between segments	(130,738)	(760,214)	(4,413)	(210,320)	(1,105,685)
Revenues from contracts with clients	2,906,054	43,464,050	3,076,531	4,113,009	53,559,644
Gross margin	1,246,946	5,599,602	752,730	984,452	8,583,730
Allocated selling costs	(1,084,137)	(2,369,132)	(101,565)	(216,773)	(3,771,606)
Unallocated selling costs					(120,542)
Margin, after sales costs	162,809	3,230,470	651,165	767,680	4,691,582
Other incomes	1	100,582	579,220	6,638	686,441
Other unallocated income					-
Allocated operating expenses	(1,504,541)	(4,487,250)	(659,176)	(746,609)	(7,397,575)
Unallocated operating expenses					(631,623)
Operational profit	(1,341,730)	(1,156,198)	571,210	27,709	(2,651,174)
Other expenses					(93,591)
Financial income/expenses					(574,318)
Gross profit					(3,319,083)

NOTA 5. CUSTOMER REVENUE

Revenues from customer contracts are detailed in the following table:

	3 months ended:	
	31 march	31 march
	2024	2023
Training services	1,905,924	2,749,837
IT integration services	16,557,658	12,854,278
Revenue from the provision of services	18,463,582	15,604,114
Goods for integrating IT solutions	15,698,671	32,051,178
Reselling licenses	9,974,608	5,904,352
Sale of goods	25,673,279	37,955,530
Total	44,136,861	53,559,644

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 offering solutions and services starting with the initial analysis, the design phase, implementation and testing resulting in turnkey projects for companies with different IT needs.

Revenues from the provision of services are recognized in the period in which they were provided and in correspondence with the stage of execution. The provision of services includes the execution of works and any other operations that cannot be considered deliveries of goods.

The execution status of the project is determined on the basis of work situations that accompany the invoices, reception minutes or other documents that certify the stage of realization and the reception of the services provided.

If the sale price includes a distinct value, contractually specified, intended for the subsequent provision of services (as is the case with the income from the sale of manufacturer warranty services), that amount is deferred (account 472 "Revenues recorded in advance") and recognized as income during the period in

which the services are provided, but no later than the end of the period for which the subsequent provision of services was contracted. On the other hand, the related expenses are deferred (account 471, "Expenses recorded in advance") and recognized in the same period in which the services are provided.

Revenues from the sale of goods and licenses

Revenues from the sale of goods and licenses are recognized when the customer obtains control over the transferred assets. The group sells goods and licenses within complex IT infrastructure solutions (such as: data networks, storage block & file, storage area network, disaster recovery and business continuity solutions, forensic software and communications security solutions, data processing, physical security systems) from vendors with whom it has partnerships at the highest standards, such as Fujitsu, Cisco, Brocade, Dell, HP, Xerox or Microsoft, Google, Amazon Web Services.

Revenues from a geographic perspective

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

NOTA 6. CLASSIFICATION OF EXPENSES

	3 months	
	31 march 2024	31 march 2023
Goods	14,633,586	30,090,359
Resell licenses	8,554,256	4,348,527
Staff expenditure	13,393,538	10,040,939
Expenses with collaborators	6,224,328	4,955,892
Amortization	2,537,583	1,810,373
Cloud services	1,472,526	1,205,584
Rent	89,432	97,858
Fees and commissions	263,975	154,496
Advertising	906,993	361,626
Travel and transportation	197,980	208,275
Insurance	122,162	91,919
Postal and telecommunications	99,908	81,326
Donations	43,745	136,943
Receivables adjustments	-	-
Banking fees	124,025	56,191
Services provided by third parties	3,525,676	2,857,443
Provisions	552,862	399,507
Other expenses		
Total operational costs	52,742,575	56,897,259

NOTA 7. FINANCIAL INCOME AND EXPENDITURE

Details regarding income and expenses are presented in the following table:

INCOME / FINANCIAL EXPENSES	<u>31 mar 2024</u>	<u>31 mar 2023</u>
Interest income	114,532	53,906
Income/(expenses) from investments	-	-
Income/(expenses) from securities valuation	(1,681,771)	998,099
Bank interest	(622,524)	(557,260)
Factoring costs	20	(821)
Interest on bonds issued	(609,844)	(582,860)
Leasing interest	(338,103)	(346,151)
Net income/(expenses) exchange rate differences	199,655	(126,598)
Total	<u>(2,938,034)</u>	<u>(561,685)</u>

NOTA 8. TITLES
In equivalence

	<u>31 mar 2024</u>	<u>31 dec 2023</u>
E-Learning Company		
Sold initial	2,797,884	2,918,939
Castig/(pierdere) titluri puse in echivalenta	(11,539)	(121,055)
Sold final	<u>2,786,345</u>	<u>2,797,884</u>

The E-Learning Company

In January 2021, 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 associated entity, namely in January 2021. In applying the equity method, the financial information as of January 31, 2021 was used. In the first quarter of 2024, the Group recorded, through equivalent securities, the part related to ownership (23%) of the net loss made by E-Learning Company in Q1 2024.

Other financial assets (securities) at fair value

	<u>31 mar 2024</u>	<u>31 dec 2023</u>
Softbinator Technologies	7,811,285	9,600,543
Arctic Stream	1,863,688	1,756,201
Total	<u>9,674,973</u>	<u>11,356,744</u>

Details regarding the evolution of securities at fair value in the first quarter of 2024 are presented in the table below:

	<u>Arctic Stream</u>	<u>Softbinator Technologies</u>
Valoare 31.12.2023	1,756,201	9,600,543
Intrari	-	-
Iesiri	-	-
Reevaluare	107,487	(1,789,258)
Valoare 31.12.2023	<u>1,863,488</u>	<u>7,811,285</u>

Softbinator Technologies

In December 2020, the Bittnet Group acquired a 25% stake in Softbinator Technologies for 8,127,500 ron, 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.

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.

Following the operations described above, the Bittnet Group reanalyzed the classification of the investment in Softbinator Technologies on 30.09.2021 and decided to reclassify it from equity securities to securities at fair value through the profit and loss account. On 31.03.2024, the investment in Softbinator Technologies shares was revalued using the average trading price on the AeRO market as of 31.03.2024.

Arctic Stream

Arctic Stream is an IT integrator with a focus on the technologies of the American manufacturer Cisco Systems, a competitor of Dendrio Solutions in this market segment. In June 2021, the Group's management invested in the private placement organized before the listing of Arctic Stream (AST) shares on the AeRO-SMT market. As part of the private placement, Bittnet subscribed the amount of 10 million lei, the intention being to make a significant investment by entering the shareholding of Arctic Stream in a relevant percentage.

Following the anticipated closing from the first day of the placement and the massive oversubscription, the offer intermediary informed Bittnet that a number of 74,632 AST shares were allocated to it, which represents 1.78% of the share capital and 1.78% of the rights of voting. The value of the investment in Arctic Stream shares amounted to 1,865,800 ron.

On 29.07.2021, AST shares entered trading on the AeRO market at a price approximately 40% higher than that of the private placement.

On 31.03.2024, the investment in Arctic Stream shares was revalued using the average trading price on the AeRO market as of 31.03.2024.

NOTA 9. CAPITAL AND RESERVES

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

	31 march	31 dec
	2024	2023
Share capital	63,417,671	63,417,671
Share premium	31,934,768	31,934,768
Other equity items	(2,657,737)	(5,830,661)
Legal reserves	1,355,734	1,355,734
Retained earnings	(3,750,746)	854,208
Current comprehensive result	(9,152,605)	(4,604,954)
Total	81,147,086	87,126,767

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	31 march	31 dec
	2024	2023
IMPETUM INVESTMENTS S.A.	13.33%	13.33%
AGISTA INVESTMENTS S.R.L.	13.75%	13.75%
Mihai Logofătu	8.77%	8.77%
Cristian Logofătu	8.47%	8.47%
Alții	55.68%	55.68%
Total	100%	100%

Capital increase through new contributions and debt conversion - March 2023

In first 3 months of the FY2023, 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.

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

The group mainly recognizes through other elements of equity:

- purchase/sale of treasury shares held
- the loss resulting from the recognition and assessment of SOP
- the impact generated by the operations related to the implementation of the SOP

Treasury shares

Sold la 01.01.2023	23,970,745
Treasury shares sales in 2023	14,723,545
Treasury shares at 31.12.2023	9,247,200
Treasury shares sales in Q1 2024	9,247,200
Treasury shares at 31.03.2024	-

During 2023, the Group sold 14,723,545 shares at a total price of 4,550,607 ron. During January 2024, the Group fully sold the treasury shares held on 31.12.2023 at a total price of 2,866,327.89 ron.

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.

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:

	31 march 2024	31 dec 2023
BNET26E	9,686,275	9,689,651
BNET27A	4,906,666	4,899,486
BNET28	9,751,562	9,751,562
Interest	48,113	47,458
Total :	24,392,615	24,388,157
Long term	24,344,503	24,340,699
Short term (interest)	48,113	47,458

The Group conducted in 2016, 2017 and 2018, 2022 and 2023 offers of bonds with maturities in 2019, 2022, 2023, 2026, 2027 and 2028 obtaining from the capital market a 'binding' financing of over 50 million RON (all issues are listed on BVB).

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 07.march.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.

BNET28

Between November 27 and December 12, 2023, a maximum number of 100,000 unsecured corporate bonds were put up for sale, with an individual nominal value of 100 lei and a total nominal value of 10,000,000 lei, each interested investor having the opportunity to subscribe in the price range of 94 ron - 106 ron per bond, respectively between 94% and 106% of the nominal value. During the offer period, a total of 530 subscription orders were placed at all price levels of the range, amounting to an aggregate volume of 185,602 bonds. Considering the setting of the issue price by the Issuer at the nominal value of the bond (100 lei) and in accordance with the Offer Prospectus, the volumes subscribed at prices higher than the issue price were fully settled at the issue price (100 lei). Thus, the volume of 87,446 bonds represents the guaranteed allocation in the offer according to the Offer Prospectus. For the volume of bonds subscribed at the price of 100 lei/bond (respectively for 71,050 bonds) the allocation was made pro-rata, the allocation index being 0.1766924701, thus resulting in a volume of 12,554 bonds. Purchase orders at prices below the issue price were not executed. On 02.02.2024, BNET28 bonds were admitted to trading on the Regulated Market administered by BVB.

NOTA 11. BANK LOANS

Details regarding bank loans are presented in the following table:

	<u>31 mar 2024</u>	<u>31 dec 2023</u>
ProCredit credite TL (BNET & DEND)	3,599,121	3,940,619
BT credit investitii (DEND)	6,609,287	7,016,012
ProCredit credit investitii (DEND)	9,105,930	9,381,614
ProCredit linie 4.5 mil. (DEND)	2,413,251	3,610,155
BT linie 1.6 mil. EUR (DEND)	-	-
BT linie credit (DTW)	1,499,985	-
Raiffeisen linie 2.5 mil. (2NET)	-	905,351
Raiffeisen IMM invest (EQG)	-	-
Raiffeisen IMM Invest (2NET)	-	258,621
BRD IMM Invest (TT)	1,952,847	2,406,334
Total,	<u>25,180,421</u>	<u>27,518,706</u>
Long term	<u>18,940,311</u>	<u>18,976,363</u>
Short term	<u>6,240,110</u>	<u>8,542,343</u>

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:

	3 months:	
	31 March 2024	31 March 2023
Management	754,357	231,279
SOP	258,175	33,748
Total	1,012,532	265,027
Datorii	31 March 2024	31 dec 2023
Key person	302,475	210,844
Total	302,475	210,844
Creante si imprumuturi	31 march 2024	31 dec 2023
E-Learning Company – loan	450,000	600,000
E-Learning Company – interest	12,822	37,438
Total	499,759	637,438

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. SUBSECVENT EVENTS (AFTER ENDING OF REPORTING PERIOD)**I. BNET28A – corporate bonds public offer**

At the time of writing this document, the issuer is working on the procedures for the listing of the most recent issue of corporate bonds (symbol: BNET28A), following the public offer for sale between April 2-15, 2024. Following this market operation, the issuer has raised the amount of 6.35 million ron for financing the working capital, especially for the significant ongoing contracts where the pre-financing component is necessary, as well as the development plans of the group of which it is a part. The interest is fixed, 9% per year for a period of 4.5 years. The BNET28A issue consists of 66,249 unsecured corporate bonds, with an individual nominal value of 100 lei. The mechanism by which the bonds were sold was by public offering together with the system of placing purchase orders within a price range (similar to the BNET27A and BNET28 offers). The closing price was at the threshold of 96 lei/bond, respectively at 96% of the nominal value of the instrument.

II. O& EGMS from April 2024

In addition to the points specific to an annual GMS, namely the approval of the individual and consolidated financial statements for 2023, the discharge of the Board of Directors, the approval of the Budget for 2024, or the establishment of the remuneration of the members of the Board of Directors, there were also two points on the agenda for the mandate of the board of directors to determine the opportunity to carry out BNET share buyback operations.

III. The new structure of the shareholding of Dendrio Solutions SRL

As part of the plan to restructure and simplify the structure of the Bittnet group, in April 2024 the management of the Group took the decision to consolidate holdings from the pillar of Digital Infrastructure under the legal entity Dendrio Solutions. Thus, Agista Investments and Bittnet Systems, associated both in Dendrio Solutions and in Top Tech, transferred their holdings in the company Top Tech (Agista Investments - 14% and respectively Bittnet Systems - 40%) to Dendrio Solutions for a total amount of 14,464,286 ron. Bittnet Systems also sold its holding in Dataware Consulting (28.87%) to Dendrio Solutions for a total amount of 14,435,000 ron. As a result of these transactions, Dendrio Solutions will end up owning individually, directly, 100% of the shares of Top Tech and Dataware Consulting, considering the IT&C solution and service integrator profiles that the 3 companies have. Following the transactions described above, the sellers (Agista Investments and respectively Bittnet Systems) will be allocated shares in Dendrio Solutions as part of a capital increase through the recognition and conversion of certain liquid and payable receivables. Also within this operation, the claims of the 2 co-founders of Dataware Consulting - Constantin Savu and Catalin Georgescu - will be converted into capital (allocated Dendrio shares) in a total amount of 5,000,000 ron, according to the 30% difference assignment contract from the company Dataware Consulting to the Bittnet group. Following these operations, the equity capital of Dendrio Solutions will be increased by approximately 33.9 million ron through the contribution of the current associates, Bittnet Systems and Agista Investments, as well as the 2 new associates, and the resulting shareholding structure will be: Bittnet Systems – 84.7245%, Agista Investments – 11.7765%, Dataware co-founders - Constantin Savu and Catalin Georgescu - 3.499%.

IV. The new structure of the Top Tech SRL shareholding

As part of the plan to simplify the structure of the Bittnet group, and with a view to consolidating the holdings in the Digital Infrastructure pillar under the legal entity Dendrio Solutions, in April 2024 Agista Investments and Bittnet Systems agreed to sell their minority holdings in Top Tech (Agista Investments - 14 % and respectively Bittnet Systems - 40%) to Dendrio Solutions for a total amount of 14,464,286 ron. Following the registration of the new capital structure in the records of the Trade Registry, Top Tech will be 100% owned by Dendrio Solutions.

IV. The new structure of the shareholding of Dataware Consulting SRL

As part of the plan to simplify the structure of the Bittnet group, as well as with a view to consolidating the holdings in the Digital Infrastructure pillar under the legal entity Dendrio Solutions, in April 2024 Bittnet Systems sold the minority holding of 28.87% to Dendrio Solutions for a total amount of 14,435,000 lei. Following the registration of the new capital structure in the records of the Trade Registry, Dataware Consulting will be 100% owned by Dendrio Solutions.

V. The new structure of the shareholding of Dataware Consulting SRL

As part of the plan to simplify the structure of the Bittnet group, as well as with a view to consolidating the holdings in the Digital Infrastructure pillar under the legal entity Dendrio Solutions, in April 2024 Bittnet Systems sold the minority holding of 28.87% to Dendrio Solutions for a total amount of 14,435,000 lei. Following the registration of the new capital structure in the records of the Trade Registry, Dataware Consulting will be 100% owned by Dendrio Solutions.

VI. Equatorial Gaming's new legal form and shareholder structure

At the end of April 2024, Bittnet Systems decided (together with the founding shareholder of Equatorial Gaming who still owned 1% of the company) to change the legal form of organization of Equatorial Gaming from a joint-stock company (SA) to a limited liability company (SRL). Also, the founding shareholder agreed to transfer at nominal value the minority holding he still had in Equatorial Gaming to Bittnet Systems, respectively the transfer of all 1,430 registered ownership shares, with a nominal value of 1 lei and a total value of 1,430 ron . Following the operation of the registrations at the Trade Registry level, Equatorial Gaming will be 100% owned by Bittnet Systems.