

BITTNET SYSTEMS SA

CONSOLIDATED INTERIM REPORT

Prepared in accordance with
Order of the Minister of Public Finance
no. 2844/2016 with subsequent amendments,
for 9 months ending on September 30, 2024

The interim consolidated financial reporting from page [3] to page [48] was approved and signed on
November 15, 2024

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CONSOLIDATED STATEMENT OF THE GLOBAL RESULT

	For the period of 9 months	
	September 30, 2024	September 30, 2023
Revenue from contracts with customers	308,145,474	278,097,832
Cost of sales	(255,092,988)	(234,029,837)
Gross margin	53,052,486	44,067,995
Other income	1,936,624	4,761,399
Sales expenses	(15,500,222)	(13,255,319)
General and administrative expenses	(34,489,139)	(30,491,328)
Other expenses	(45,510)	(308,516)
Gain/loss of equivalent securities	(27,363)	(80,425)
Financial income	(4,246,062)	(1,486,383)
Financial expenses	(5,074,611)	(5,276,528)
Gross profit	(4,393,797)	(2,069,106)
Profit tax	(556,947)	(210,583)
Net profit, of which:	(4,950,744)	(2,279,689)
related to the parent company	(7,002,509)	(5,531,856)
related to non-controlling interests	2,051,766	3,252,167
Net profit	(4,950,744)	(2,279,689)
Other elements of the overall result	-	-
Total Overall result	(4,950,744)	(2,279,689)
related to the parent company	(7,002,509)	(5,531,856)
related to non-controlling interests	2,051,766	3,252,167

CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION

	September 30 2024	December 31, 2023
Assets		
Fixed assets		
Goodwill	92,995,066	89,398,454
Other intangible assets	9,536,282	9,653,554
Tangible assets	30,661,106	32,699,563
Equivalent titles	2,713,021	2,797,885
Other financial assets	909,550	695,988
Deferred Tax	4,524,353	3,796,271
Total fixed assets	141,339,378	139,041,714
Current assets		
Inventory	17,709,872	4,226,836
Trade receivables and other receivables	153,787,029	79,561,980
Financial assets	5,296,105	11,356,744
Cash and equivalents	39,184,476	70,013,172
Total current assets	215,977,481	165,158,731
TOTAL ASSETS	357,316,860	304,200,445
CAPITAL AND LIABILITIES		
Subscribed capital	64,436,697	63,417,671
Issue premiums	30,915,742	31,934,768
Other elements of equity	(2,524,690)	(5,830,661)
Reserves	1,355,734	1,355,734
Reported result	(10,753,256)	(3,750,746)
Capital related to the parent company	83,430,228	87,126,767
Interests that do not control	14,536,712	4,485,519
Total capital and reserves	97,966,940	91,612,286
Long-term debt		
Bonds	30,667,065	24,340,699
Bank loans	13,567,898	18,976,363
Lease liabilities	18,452,523	19,184,756
Long-term debt	-	5,000,000
Total long-term debt	62,687,486	67,501,819
Current liabilities		
Bonds	167,366	47,458
Bank loans	23,180,617	8,542,343
Lease liabilities	6,643,668	6,419,839
Dividend payment	942	3,265,428
Corporate tax liabilities	102,044	622,641
Trade debts and other debts	166,567,797	126,188,632
Total current liabilities	196,662,434	145,086,340
Total debts	259,349,920	212,588,160
TOTAL CAPITAL AND LIABILITIES	357,316,860	304,200,445

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the period of 9 months	
	September 30, 2024	September 30, 2023
Gross profit	(4,393,797)	(2,069,106)
Adjustments for:		
Depreciation expenses	7,754,642	6,477,562
Expenditure on assets sold	488,974	150,501
Benefits granted to SOP employees	809,656	758,650
Adjustments for inventory depreciation	(111,516)	0
Expenses related to the acquisition of participation interests	45,510	308,516
Interest expenses and other financial costs	4,039,821	3,870,388
Income from interest and other financial income	754,261	811,735
Earnings from investments	4,525,902	1,740,102
Equivalent titles	27,363	80,425
Operating profit before the variation of working capital	13,940,815	12,128,773
Variation of accounts receivable balances	(74,575,019)	8,938,521
Variation of stock account balances	(13,371,519)	35,975,297
The variation of the balances of the debt accounts	47,924,572	(47,161,453)
Cash generated from operations	(26,081,151)	9,881,139
Profit tax paid	(1,971,588)	(2,496,299)
Net cash from operating activities	(28,052,739)	7,384,840
Investment activities:		
Payments for the acquisition of branches, less cash	(7,607,155)	(21,838,806)
Payments for the purchase of participating interests	-	(841,345)
Proceeds from the sale of participation interests	-	-
Loans granted to related entities	150,000	(450,000)
Purchases of tangible and intangible assets	(1,448,445)	(2,897,583)
Other investments in financial assets	-	(80,039)
Proceeds from other financial investments	1,467,912	-
Dividends received	78,225	68,661
Interest collected	312,346	229,554
Net cash from investment activities	(7,047,117)	(25,809,558)
Financing activities:		
Proceeds from the issue of shares	-	29,701,386
Redemptions/sales of own shares	2,496,315	4,550,607
Withdrawals from bank loans	9,229,809	10,000,000
Bank loan repayments	-	(19,788,382)
Receipts/repayments from the issue of bonds	6,197,011	(9,814,873)
Payments of debts related to financial leasing	(6,181,947)	(3,227,077)
Interest paid	(3,790,558)	(4,403,443)

Dividends paid	(3,679,470)	(615,600)
Net cash from financing activities	4,271,160	6,402,618
Net increase in cash and cash equivalents	(30,828,696)	(12,022,100)
Cash and cash equivalents at the beginning of the financial year	70,013,172	42,300,365
Cash and cash equivalents at the end of the financial year	39,184,476	30,278,265

for 9 months ending on September 30, 2024, according to OMFP no. 2844/2016
(all amounts are expressed in LEI, unless otherwise specified)

CONSOLIDATED STATEMENT OF CHANGES IN OWN CAPITAL

	Social capital	Issue premiums	Other elements of equity	Legal reserves	Reported result	Total CAPITAL	Things which does not control	Total equity
31 Dec 2022	52,848,060	9,738,583	(11,390,433)	1,324,823	1,149,789	53,670,822	3,823,943	57,494,765
Net profit	-	-	-	-	(5,531,856)	(5,531,856)	3,252,167	(2,279,689)
Other elements of the overall result	-	-	-	-	-	-	-	-
Total Overall result	-	-	-	-	(5,531,856)	(5,531,856)	3,252,167	(2,279,689)
Share capital increases	10,569,612	22,196,185	(64,411)	-	-	32,701,386	215,097	32,916,483
Own share transactions	-	-	4,550,607	-	-	4,550,607	-	4,550,607
Benefits granted to SOP employees	-	-	758,650	-	-	758,650	-	758,650
Interests that do not control	-	-	-	-	-	-	1,452,390	1,452,390
Distribution of dividends	-	-	-	-	(264,669)	(264,669)	(1,276,012)	(1,540,681)
Distribution of the legal reserve	-	-	-	-	-	-	-	-
September 30, 2023	63,417,671	31,934,768	(6,145,587)	1,324,823	(4,646,737)	85,884,938	7,467,585	93,352,524
	Social capital	Issue premiums	Other elements of equity	Legal reserves	Reported result	Total CAPITAL	Things which does not control	Total equity
31 Dec 2023	63,417,671	31,934,768	(5,380,661)	1,355,734	(3,750,746)	87,126,767	4,485,519	91,612,286
Net profit	-	-	-	-	(7,002,509)	(7,002,509)	2,051,766	(4,950,744)
Other elements of the overall result	-	-	-	-	-	-	-	-
Total Overall result	-	-	-	-	(7,002,509)	(7,002,509)	2,051,766	(4,950,744)
Share capital increase	1,019,026	(1,019,026)	-	-	-	-	8,750,000	8,750,000

Own share transactions	-	-	2,496,315	-	-	2,496,315	-	2,496,315
Benefits granted to SOP employees	-	-	809,656	-	-	809,656	-	809,656
Interests that do not control	-	-	-	-	-	-	(335,588)	(335,588)
Distribution of dividends	-	-	-	-	-	-	(414,984)	(414,984)
Distribution of the legal reserve	-	-	-	-	-	-	-	-
September 30, 2024	64,436,697	30,915,742	(2,524,690)	1,355,734	(10,753,256)	83,420,228	14,536,712	97,966,940

NOTA 1. GENERAL INFORMATION

Group structure and operational activities

The financial statements include the consolidated financial information of the parent company Bittnet Systems SA (the "Issuer"), with registered office in Bucharest, Str. Sergeant Ion Nuțu, no. 44, One Cotroceni Park, Corp A and Corp B, floor 4, sector 5, and of the following subsidiaries, all subsidiaries being registered in Romania:

	<u>30 Sep 2024</u>	<u>31 Dec 2023</u>
SUBSIDIARIES - % ownership		
Dendrio Solutions	84.72%	88.001%
Dataware Consulting, through Dendrio Solutions	84.72%	100%
Top Tech, by Dendrio Solutions	84.72%	86%
2Net Computer, through Dendrio Solutions	84.72%	100%
ITPrepared	50.2%	50.2%
Equatorial Gaming	100%	98.99%
Equatorial Training, by Equatorial Gaming	100%	100%
Computer Learning Center	100%	100%
Fort (formerly Global Resolution Experts)	58.87%	58.87%
GRX Advisory, through Fort	58.87%	58.87%
ISEC Associates, through Fort	58.87%	58.87%
Eliau Solutions	61.69%	51.02%
Kepler Management Systems, through Eliau Solutions	61.69%	100%
Nenos Software	60.97%	60.97%
Nonlinear	60%	60%
MINORITY INTERESTS		
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 (formerly Global Resolutions Experts), GRX Advisory, ISEC Associates, Eliau 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 acquirer's identifiable assets, liabilities and contingent liabilities 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 acquisition of control (Dendrio Solutions – September 2017, Eliau Solutions – November 2018, Equatorial Gaming and Equatorial Training – December 2020, Computer Learning Center, ISEC Associates, IT Prepared, Nenos Software, Nonlinear – August 2021, Fort (formerly Global Resolution Experts) and GRX Advisory – December 2021, Top Tech and 2Net Computer – September 2022, Dataware Consulting – May 2023, Kepler Management Systems – November 2023).

Bitnet Systems SA

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

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

In March 2015, Bittnet was listed on the AeRO market of the Bucharest Stock Exchange, under the symbol BNET. Bittnet was the first IT company to list on the BSE, after an infusion of 150,000 euros into 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 cloud migration and consulting services. As a result, Bittnet launched a series of dedicated customer actions 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 growing and diversifying technical skills specific to AWS and Azure to be able to respond to incoming requests.

From April 2018, the new group structure was adopted and Bittnet Group's business structure was reorganized into two key segments: Education and Technology. Starting with 2023, the group organized the Technology segment into 3 business divisions / pillars: Cloud & Infrastructure, Cybersecurity and Business applications & Software development.

The process of continuous evolution of the Group, both through the launch of new products and services and through continuous acquisitions, led to the current dimension in which the activity is organized in centers ("cells") as independent as possible, in areas of interest - "pillars of development" or "business units", which represent subfields of activity in the IT&C Services area. Bittnet is today a conglomerate that offers investors exposure to the entire Romanian IT&C industry.

As of June 2020, Bittnet shares (symbol BNET) are listed on the BSE Regulated Market and are part of the BSE's main indices.

a) Education Division

This division contains 4 companies (**Bitnet Systems, Computer Learning Center, Equatorial Gaming and Equatorial Training, to which the minority holding in The E-Learning Company**), which offers training to adults in two areas: 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.

Equatorial, a game-based learning company, specializes in providing transformer training and consulting programs at individual, team and organizational levels in Romania and abroad. In 2015, the company invented

and launched Equatorial Marathon, an Alternate Reality Game for corporations that increases engagement and drives employee behavioral change. In 2018 Equatorial launched a new product: VRrunners, a mobile evolution of the Marathon app. In 2019, Equatorial launched 2 new games: White Hat and Bona Fides Agency.

In August 2020, Bittnet activated the conversion option of the loan of 1,050,000 lei granted in 2018 to the company Equatorial Gaming, equivalent to 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.

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 lei. Following the operation of registrations at the level of the Trade Register, Equatorial Gaming is 100% owned by Bittnet Systems.

Computer Learning Center

In August 2021, the Group informed 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 lei, an amount that was settled in 2 installments: the first tranche, worth 225,000 lei, 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 lei 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 lei in the period October 2021 - June 2022, and later it was partially repaid in August - September 2022 and then increased again over the course of 2023 and in Q1 2024, the remaining balance before the capital increase operation detailed below being 1,780,000 lei.

In June 2024, the sole shareholder Bittnet Systems SA decided to increase the share capital of CLC by the amount of 2,286,896 lei through the conversion of certain liquid and payable receivables resulting from: the intragroup loan in the amount of 1,780,000 lei according to the intragroup loan agreement and additional documents subsequently, the accrued interest related to this loan in the amount of 235,653 lei, as well as the commercial debts of CLC to its sole partner resulting from the current activity in the amount of 271,243 lei.

Computer Learning Center was consolidated in the financial statements starting from September 2021.

Merger project of companies from the Education pillar: Equatorial Gaming – Equatorial Training – Computer Learning Center

On 20.08.2024, the merger project between the companies part of the Education pillar of the group, respectively between Equatorial Gaming SRL (as the absorbing company) on the one hand, and Equatorial Training SRL and Computer Learning Center was submitted to the Trade Register SRL (as absorbed companies), on the other hand. The project is estimated to be completed in the 4th quarter, 2024, and at the end of it the social parts of the 2 absorbed companies will be cancelled, the assets and liabilities of the two being absorbed into Equatorial Gaming SRL. All ongoing contracts with partners, customers, suppliers and employees will be taken over by Equatorial Gaming SRL.

The E-Learning Company SA

According to the mandate offered by the November 2020 AGM, the Group's management completed, in January 2021, the negotiations for the acquisition of 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 that cover areas such as personal and professional development, communication, sales and negotiation, marketing, human resources, project management, Microsoft Office, finance, English, etc. .

The total value of the transaction was estimated at 2.5 million lei. The payment to the founders of E-Learning Company was made in two stages:

- the first tranche in the amount of 850,000 lei was fully paid in cash, the amount of 450,000 during Q1 2021, and the rest in April 2021. Bittnet management made the decision to pay tranche 1 in full in cash considering the long period of time processing of the compensation operation with shares to the founders of the previous M&A transactions - the acquisition of 25% of Softbinator and 99% of 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% (which would have been paid to the founders of the E-Learning Company through the settlement in BNET shares in a capital increase operation) was paid all in cash, In March 2023, following the conclusion of an additional act to the contract for the sale and purchase of social shares.

As a result of the investment contract, Bittnet was allocated a seat in the Board of Directors of the E-Learning Company, a position that was occupied by Ivylon Management SRL through Logofatu Cristian.

Starting from July 2024, ELC shareholders decided to simplify the management structure by renouncing the Board of Directors and revoking it, respectively approving the transition of the company's management to the structure with a single manager and the appointment of Mr. Calin Adrian, founder and general director of ELC, in sole administrator function.

Following the entry of Bittnet Systems into the shareholding, a loan agreement was signed by the parties through which the Issuer made available to The E-Learning Company the sum of 240,000 lei 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, the balance of which on 30.06.2024 amounted to 450,000 lei.

b) Digital Infrastructure Division (Cloud & Infrastructure)

This division contains 5 companies (**Dendrio Solutions, Dataware Consulting, Top Tech, zNet Computer and IT Prepared**) that offers complex IT solutions to clients from the corporate, large corporate, enterprise and public sector segments from all over the country but also from abroad (especially CEE 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 Romanian entrepreneur Radu Georgescu. In the first half of 2018, GECAD Net was renamed Dendrio Solutions. Dendrio is the only integrator of "multi-cloud" hybrid 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.

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" type integrator in Romania, consolidating its position as a company certified 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, expanded personnel resources, as well as an expanded portfolio of customers, products and services.

In June 2022, Bittnet Systems announced to the Market through current report no. 25/14.06.2022 that an institutional investor was co-opted in the shareholding of Dendrio Solutions SRL. The operation was carried out by selling an 11.999% stake in Dendrio to the investment fund Agista Investments for the amount of 7,499,982.76 lei. Considering the transaction price, the market valuation of the IT&C integrator Dendrio Solutions at the transaction date amounted to app. 62.5 million lei.

Consolidation of holdings within the pillar under Dendrio Solutions and increase of share capital in 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, partners in both Dendrio Solutions and Top Tech, transferred their holdings in the Top Tech company (Agista Investments - 14% and respectively Bittnet Systems - 40%) to Dendrio Solutions for a total amount of 14,464,286 lei. Bittnet Systems also sold its holding in Dataware Consulting (28.87%) to Dendrio Solutions for a total amount of 14,435,000 lei. As a result of these transactions, Dendrio Solutions owns individually, directly, 100% of the shares of Top Tech and Dataware Consulting, considering the IT&C solutions and service integrator profiles that the 3 companies have.

Following the transactions described above, the sellers (Agista Investments and respectively Bittnet Systems) were 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 were also converted into capital (allocated Dendrio shares) -Constantin Savu and Catalin Georgescu - in total value of 5,000,000 lei, according to the contract of assignment of the difference of 30% from the company Dataware Consulting to the Bittnet group.

Following these operations, the equity capital of Dendrio Solutions was 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 is: 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 amounted to app. 143 million lei.

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, the Bittnet Group has expanded its geographic coverage nationwide in the IT&C integration industry.

After signing the closing at the beginning of September 2022 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 12,874,306 lei, of which 5,000,000 lei (tranche 2) would have been settled in BNET shares in a future capital increase; the cash component, worth 7,874,306 lei (tranche 1), was paid in full in September 2022. In March 2023, the parties signed an additional deed to the sale-purchase contract of social shares, by which they agreed that the sum of 2,000 .000.11 lei, related to tranche 2, to be paid in cash by payment order, and the amount of 2,999,999.89 lei to be converted into BNET shares in the capital increase carried out in quarter 1, 2023. The bank transfer was carried out in March 2023, and the allocation of BNET shares to the founder of Top Tech in April 2023.

In December 2022, Bittnet Systems announced to investors about the co-optation 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 3,000,000 lei. 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 change in April 2024

As part of the plan to simplify the structure of the Bittnet group, and with a view to consolidating the holdings from 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. Following the registration of the new capital structure in the records of the Trade Registry, Top Tech is 100% owned by Dendrio Solutions.

Top Tech was consolidated in the financial statements starting from October 2022.

zNet Computer

zNET Computer SRL is a Romanian company with over 20 years of experience in the provision of IT&C products and services, mainly in the Brasov area and the center of the country for local and international clients with a presence in Brasov, Harghita and Covasna counties. zNet 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 price is 5,241,931 lei, the amount paid in full in September 2022.

zNet Computer SRL was consolidated in the financial statements starting from October 2022.

Merger project of companies from the Digital Infrastructure pillar: Top Tech – zNet Computer

On 12.08.2024, the merger project was submitted to the Trade Registry - together with the rest of the supporting documents necessary for an operation of this kind - between Top Tech SRL (as the absorbing company) and zNet Computer SRL (as the absorbed company) in line with the Bittnet group's plans to simplify the group structure and operations. The project is estimated to be completed in the 4th quarter of 2024, and at the end of it the shares of zNet Computer will be cancelled, the assets and liabilities of the company being absorbed into Top Tech. All ongoing contracts with partners, customers, suppliers and employees will be taken over by Top Tech (Braşov branch / office). The two companies involved in this process of merger by absorption are "sister" companies, their sole associate being the company Dendrio Solutions SRL.

Dataware Consulting

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 lei, of which the equivalent of 5,000,000 lei in BNET shares that would have been allocated to the 2 co-founders of Dataware in a future capital increase. Through an addendum to the share purchase agreement, the cash payment of this tranche 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 euros, to be paid as follows:

- partly in cash by Bittnet Systems, the equivalent in RON of 1,000,000 euros, 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 in the framework 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 euros.

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 euros, an 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 certificate of completion 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 change in 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 lei. Following the registration of the new capital structure in the records of the Trade Registry, Dataware Consulting is 100% owned by Dendrio Solutions.

Dataware Consulting was consolidated in the financial statements from June 2023.

IT Prepared (rebranded: Optimizer)

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

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

The transaction of taking over the majority stake in the company IT Prepared SRL was approved by shareholders in AGEA on November 26, 2020. Taking into account that the financial and operational situation of IT Prepared SRL changed between the moment of approval granted by AGEA and the moment of signing the investment agreement, the parameters of the transaction were renegotiated in favor of Bittnet, the final valuation being halved (so Bittnet took the majority stake), and the payment was dependent on the confirmation of positive operational results in 2021 and 2022.

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

c) Cybersecurity Division

Currently, this division contains 3 companies (Fort SA - 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 lei, 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 sum of 716,990 lei, conversion which was made at the nominal value and which represented certain liquid and payable claims held by Bittnet Systems (501,893 lei, representing part of the loan granted) and by Provision Software (215,097 lei, 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 lei, 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 Cybersecurity pillar - 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 lei (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 has been consolidated in the financial statements as of September 2021.

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

Fort, formerly Global Resolution Experts SA, (CUI 34836770), owned in proportion to 58.87% by Bittnet Systems, is a professional services company in the area of cybersecurity, which offers penetration tests, but also design, implementation and maintenance of cybersecurity solutions. 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 lei, of which 5,150,400 were paid in December 2021 and 6,275,200 lei 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 lei, 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); Architectural 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 lei from the value of 90,000 lei to the value of 98,550 lei 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 registering the amount of 2,841,414 lei 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 lei share capital and 1,672,997.30 lei issue premium. Following the placement, Bittnet Systems' ownership in Fort is 58.87%.

On May 17, 2024, Fort SA shares began trading on the AeRO market, the multilateral trading system administered by the Bucharest Stock Exchange, under the trading symbol 4RT.

Share capital increase and Fort dividend distribution – August/September 2024

On July 2, 2024, the shareholders of Fort SA participated in the first General Meeting organized as a company listed on the Bucharest Stock Exchange. There were two items on the agenda that concerned the distribution of dividends related to the profit of 2023 and a capital increase through the allocation of free shares - through the capitalization of issue premiums. Thus, in August 2024 the gross distribution of 0.99 lei/share was made and in September 2024 the allocation of free shares was carried out, 10 free shares for 1 held on the registration date. The central depository processed the two corporate events on the dates set by the general meeting.

Fort and GRX-A 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 applications & Software development division

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

Elian Solutions

In 2018, the Group acquired a majority stake (51%) in the company that provides ERP solutions, Elian Solutions. Elian completed the IT integration service offering 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.

Increase of the share capital in May 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 pillar of Business applications & software under the legal entity Elian Solutions, at the end of May 2024 Bittnet Systems sold the minority holding of 24.2% in Kepler Management Systems to Elian Solutions for the total amount of 1,429,651 lei. Also at the end of May, Bittnet Systems, together with the other 2 associates of Elian Solutions, took the decision to increase the share capital of Elian Solutions with the amount of certain liquid and payable receivables resulting from the transfer of ownership in Kepler, as well as by converting the intragroup loan into capital in the amount of 3,100,000 lei, amount granted by Bittnet Systems to Elian Solutions in November 2023 for the acquisition of Kepler Management Systems.

Following these operations, the equity capital of Elian Solutions was increased by the amount of 4,529,651 lei, through the conversion of certain liquid and payable claims of Bittnet Systems, and the stake of Bittnet Systems in Elian Solutions increased to 61.6878% after the registration of the increase in the records of the Trade Register.

Kepler Management Systems

In November 2023 the Group informed investors and the market about the signing of the share purchase agreement for the purchase 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 lei, 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 lei 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 2023, the component in the amount of 1,517,005 lei which was calculated and paid in April 2024, after the closing of Kepler's individual annual financial statements as follows: the amount of 1,149,889 lei by Elian Solutions, and the amount of 367,116 lei from Bittnet Systems – proportional to holdings in Kepler.

Shareholding structure change in May 2024

As part of the plan to simplify the structure of the Bittnet group, as well as in order to consolidate holdings from the Business applications & software pillar under the legal entity Elian Solutions, but also because the two companies part of the group have similar business profiles, at the end of May 2024 Bittnet Systems sold the minority holding of 24.2% in Kepler Management Systems to Elian Solutions for the total amount of 1,429,651 lei. Following the registration of the new capital structure in the records of the Trade Register, Kepler Management Systems is 100% owned by Elian Solutions.

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

Nenos Software & Nonlinear

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

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

- 50% of the transaction price (ie the amount of 2,425,000 lei) was paid by bank transfer to the account of the sole associate of Nenos Software;
- According to the share purchase agreement, 50% of the transaction value would have been settled through the allocation of shares BNET in an operation to increase the share capital. In March 2023, the parties agreed to sign an addendum to the share purchase agreement, whereby 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 the acquisition of 60% of Nonlinear SRL, the transaction price was 120 lei and is equal to the nominal value of the transferred shares.

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 digitalization and process automation platform 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 from September 2021.

Group management

On January 29, 2020, the General Assembly approved the amendment of the company's constitutive act for the purpose of its administration by a Board of Directors consisting 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**– executive administrator, through Mihai Alexandru Constantin Logofătu. On 31.12.2023, Mihai Logofătu owns a number of 55,651,882 shares which represent 8.77% of the share capital. Mihai Logofătu is co-founder of Bittnet Systems.
- 2) **Cristian Ion Logofatu**– non-executive administrator. On 31.12.2023 Cristian Logofătu owns a number of 53,592,812 shares which represent 8.45% of the share capital. Cristian Logofătu is co-founder of Bittnet Systems.
- 3) **Angel Lucian Claudiu**– non-executive administrator, who holds on 31.12.2023 a number of 5,468,395 shares of the Issuer, i.e. a percentage of 0.86% of the share capital.
- 4) **Rudolf Paul Wiesenthal**– non-executive administrator, does not own shares of the Issuer on 31.12.2023.
- 5) **Dynamic Data Drawings SRL**– non-executive administrator, through Anca Mănițiu. On 31.12.2023, Anca Mănițiu owns a number of 763,237 shares of the Issuer, representing 0.12% of the share capital.

Given the approaching expiration of the mandates of the Board of Directors, at the end of January 2024, the issuer called the General Meeting of Shareholders for January 25, 2024 to elect a new Board. Following the voting, 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) **Angel Lucian Claudiu**– non-executive administrator, who holds 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 CA, Mr. Neither Micheș nor the company Quercus Solutions owned shares of the issuer.

The operational management of Bittnet Systems is ensured by: Mihai Logofătu – CEO and co-founder and Adrian Stănescu – CFO, together with Cristian Herghelegiu – VP Technology and Cristina Rațiu – CEO Education. The 4 persons are identified as key management from the IFRS perspective.

NOTA 2. BASIS FOR THE PREPARATION OF THE INTERIM REPORT

a) Declaration of conformity

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

The consolidated reporting for the 9-month period ending on September 30, 2024 was prepared in accordance with IAS 34 "Interim financial reporting". This reporting does not include all the information and presentations that would be required in a complete set of financial statements according to IFRS and must be read in conjunction with the 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 of activity

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

Cyclicality/seasonality of income

Historically, given 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 REASONINGS

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

Essential reasoning

- Revenue recognition - principal/agent relationship;
- Bittnet brand recognition;
- Recognition of the employee/collaborator loyalty program by offering shares - "SOP"

Estimates and assumptions

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

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 ON ACTIVITY SEGMENTS

Reporting by activity segments is done in a manner consistent with internal reporting to the main operational decision-maker. The main operational decision-maker, which is responsible for allocating resources and evaluating the performance of the business segments, was identified as the Executive Management that makes the strategic decisions.

Bittnet Group operates on four key divisions: Education, Cloud & Infrastructure, Cybersecurity, Business application & Software development.

- **Education** -this division contains 4 companies (**Bitnet Systems, Computer Learning Center**, Equatorial Gaming and Equatorial Training), which offers training to adults in two areas: 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.
- **Digital Infrastructure (Cloud & Infrastructure)** -this division contains 5 companies (**Dendrio Solutions, Dataware Consulting, Top Tech, zNet Computer and IT Prepared**) that offers complex IT solutions to clients from the corporate, large corporate, enterprise and public sector segments from all over the country but also from abroad (especially CEE 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.

- **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 (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.

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 digitalization and process automation platform 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.

OPERATING RESULTS

9 months ending on Sept 30, 2024	Education	Cloud&Infra	Cybersecurity	BA & Software	Total
Total revenue	8,029,218	282,588,457	9,308,941	20,854,377	320,780,994
Revenues between segments	(159,001)	(11,431,914)	(225,407)	(819,198)	(12,635,520)
Revenues from contracts with clients	7,870,217	271,156,543	9,083,534	20,035,179	308,145,474
Gross margin	4,084,442	40,171,674	2,987,142	5,809,228	53,052,486
Allocated selling costs	(3,120,362)	(10,430,119)	(700,986)	(1,013,962)	(15,265,429)
Unallocated selling costs					(234,791)
Margin, after sales costs	964,080	29,741,554	2,286,156	4,795,265	37,552,265
Other income	40,388	1,729,410	91,599	74,453	1,935,851
Other unallocated income					773
Allocated operating expenses	(2,375,418)	(21,657,103)	(2,320,194)	(3,754,192)	(30,106,906)
Unallocated operating expenses					(3,572,577)
Operating profit	(1,370,950)	9,813,862	57,561	1,115,526	5,809,404
Other expenses					(855,166)
Financial income/expenses					(9,348,036)
Gross profit					(4,393,797)

9 months ending on 30 Sept 2023	Education	Cloud&Infra	Cybersecurity	BA & Software	Total
Total revenue	8,397,264	247,766,646	12,089,277	15,195,904	283,449,091
Revenues between segments	(304,949)	(3,290,259)	(240,149)	(1,515,902)	(5,351,258)
Revenues from contracts with clients	8,092,315	244,476,387	11,849,128	13,680,002	278,097,832
Gross margin	4,008,003	33,983,523	1,811,025	4,265,444	44,067,995
Allocated selling costs	(3,778,108)	(8,124,966)	(534,169)	(818,076)	(13,255,319)
Unallocated selling costs					-
Margin, after sales costs	229,894	25,858,557	1,276,856	3,447,368	30,812,676
Other income	1,429,029	1,199,404	2,105,507	27,459	4,761,399
Other unallocated income					-
Allocated operating expenses					-
Unallocated operating expenses					(30,491,328)
Operating profit	1,658,923	27,057,961	3,382,363	3,474,827	5,082,747
Other expenses					(308,516)
Financial income/expenses					(6,843,337)
Gross profit					(2,069,106)

ASSETS / LIABILITIES

30 Sept 2024	Education	Cloud&Infra	Cybersecurity	BA & Software	Total
Assets per segment	28,085,960	288,095,618	20,408,824	20,726,458	357,316,860
Unallocated assets					-
Total Assets					357,316,860
Segment liabilities	7,522,268	242,479,186	1,965,686	7,382,780	259,349,920
Unallocated liabilities					-
Total Debts					259,349,920

30 Sept 2023	Education	Cloud&Infra	Cybersecurity	BA & Software	Total
Assets per segment	52,913,163	191,917,078	16,070,250	13,139,270	274,039,761
Unallocated assets					-
Total Assets					274,039,761
Segment liabilities	8,186,556	124,229,652	6,465,826	5,486,050	144,368,083
Unallocated liabilities					36,319,155
Total Debts					180,687,238

NOTA 5. INCOME FROM CONTRACTS WITH CUSTOMERS

Revenues from contracts with customers are detailed in the following table:

	9 months ended at:	
	September	September
	30, 2024	30, 2023
Training services	7,837,976	8,092,315
IT solution integration services	61,280,581	54,387,890
Income from the provision of services	69,118,558	62,480,205
Sale of goods, integration of IT solutions	174,178,581	180,299,928
Resale licenses	64,848,335	35,317,699
Sale of goods	239,026,916	215,617,627
Total	308,145,474	278,097,832

Training services

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

Revenues are recognized at a specific time, upon completion of the training as a result of the fulfillment of the performance 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, 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 stage of execution of the work 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 in the case of revenues 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 during 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 EXPENDITURE BY NATURE

The classification of total operational expenses, by nature, is detailed in the following table:

	9 months ended at:	
	September 30, 2024	September 30, 2023
Materials and goods	154,373,403	167,400,965
Resale licenses	54,206,362	28,545,971
Personnel expenses	40,660,297	33,523,124
Expenses with collaborators	18,146,423	16,185,332
amortization	7,754,642	6,477,562
Cloud services	2,689,065	3,628,741
rent	287,868	422,634
Commissions and fees	761,081	405,613
advertisement	1,998,079	2,329,717
Travel and transport	523,890	556,344
insurance	342,611	390,926
Postal and telecommunications	305,357	325,132
Donations	97,640	371,424
Stock adjustments	(111,516)	0
Bank fees	386,499	226,612
Services provided by third parties	20,582,771	14,251,119
Provisions	-	105,831
miscellaneous	2,077,876	2,629,436
Total operating expenses	305,082,349	277,776,485

NOTA 7. INCOME AND FINANCIAL EXPENSES

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

INCOME / FINANCIAL EXPENSES	<u>30 Sept 2024</u>	<u>30 Sept 2023</u>
Interest income	279,839	253,719
Income/(expenses) from investments	(87,207)	68,661
Income/(expenses) from securities valuation	(4,438,694)	(1,808,764)
Bank interest	(1,855,116)	(2,089,206)
Factoring costs	-	(1,314)
Interest on bonds issued	(2,184,705)	(1,779,868)
Leasing interest	(1,008,233)	(1,002,433)
Net income/(expenses) exchange rate differences	(26,558)	(403,707)
Total	<u>(9,320,673)</u>	<u>(6,762,912)</u>

NOTA 8. TITLES

a) Equivalent titles

	30 Sept 2024	31 Dec 2023
E-Learning Company		
Initial balance	2,797,884	2,918,939
Gain/(loss) of equivalent securities	(27,363)	(121,055)
Dividends distributed during the period	(57,500)	-
Final balance	2,713,021	2,797,884

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 three quarters of 2024, the Group recorded through equivalent securities the part related to ownership (23%) of the net loss realized by E-Learning Company in January-September 2024.

b) Other financial assets (securities) at fair value

	30 Sept 2024	31 Dec 2023
Softbinator Technologies	5,296,1055	9,600,543
Arctic Stream	-	1,756,201
Total	5,296,105	11,356,744

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

	Arctic Stream	Softbinator Technologies
Value 31.12.2023	1,756,201	9,600,543
inputs	-	-
outputs	(1,620,755)	(1,190)
Revaluation	(135,446)	(4,303,248)
Value 30.09.2024	-	5,296,105

Softbinator Technologies

Softbinator is a product development company, specializing in the design, development and market launch 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, electronic commerce, online gaming and in 2020 ticked off areas unexplored in previous years through digital banking (including crypto), Internet of Things (IoT), Automotive and explored a new vertical in e-commerce expertise: marketplaces.

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

At the end of August 2021, Softbinator Technologies announced its intention to list on the AeRO market of the Bucharest Stock Exchange (under the trading symbol CODE) by the end of the year. Before the listing, Softbinator Technologies also announced its intention to carry out a private placement to attract capital in order to expand the company internationally.

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

- reduction of 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 / Following this operation, Bittnet Systems held a number of 225,000 shares, representing 25% of the 900,000 shares issued by Softbinator Technologies.
- increasing 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.
- transfer of a percentage of 10% of the total number of shares held, shares made available to Softbinator Technologies as treasury shares for the purpose of trading within the private placement / Following this operation, Bittnet Systems held a number of 225,000 shares, representing 22.5% of the total shares of Softbinator Technologies.
- the sale by Bittnet Systems of a total number of 36,020 shares (representing 3.602% of the share capital and Softbinator Technologies shares) to various individuals and legal entities for the amount of 2.16 million lei / Following these operations, Bittnet held a number of 188,980 shares, representing 18.898% of the total Softbinator Technologies shares.

Following the operations described above, the Bittnet Group reanalyzed the investment in Softbinator Technologies on 30.09.2021 and decided its reclassification from equity securities to securities at fair value through the profit and loss account.

On 09/30/2024, the investment in Softbinator Technologies shares was revalued using the average trading price on the AeRO market as of 09/30/2024.

Arctic Stream

Fair value assessment

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 lei.

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

During the third quarter of 2024, the Group liquidated the rest of the position it still held in Arctic Stream, so that at the end of the reporting period the Group no longer held AST shares in its portfolio.

NOTA 9. CAPITAL AND RESERVES

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

	30 Sept 2024	31 Dec 2023
Social capital	64,436,697	63,417,671
Issue premiums Legal reserves	30,915,742	31,934,768
Other elements of equity	(2,524,690)	(5,830,661)
Legal reserves	1,355,734	1,355,734
Reported result	(3,750,746)	854,208
Current global result	(7,002,510)	(4,604,954)
Total	83,430,228	87,126,767

a) Social capital

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

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

Shareholders and % Ownership	30 Sep 2024	31 Dec 2023
IMPETUM INVESTMENTS SA	13.33%	13.33%
AGISTA INVESTMENTS SRL	13.75%	13.75%
Mihai Logofatu	8.77%	8.77%
Cristian Logofatu	8.47%	8.47%
Others	55.68%	55.68%
Total	100%	100%

Fort share capital increase – July-September 2024

According to the Decision of the Extraordinary General Shareholders' Meeting of July 2, 2024, the amount of 1,019,026 lei from the existing issue premiums was capitalized by assigning new shares, free of charge, to the shareholders registered in the shareholders' register on 09/17/2024. The free shares were allocated in the trading accounts of the shareholders, or in the accounts of Section 1 of the Central Depository, in proportion to the holding, 10 free shares for every 1 share held. The total number of shares that were allocated with the free title is 10,190,260 new shares with an individual nominal value of 0.1 lei and a total nominal value of 1,019,026 lei, according to AGEA Resolution on the increase of the share capital no. 02 of 07/02/2024. The payment date for the new shares was 18.09.2024. The event was processed through the Central Depository.

Increase of social capital through new contributions and debt conversion - March 2023

In the first 3 months of 2023, a capital increase operation was successfully carried out, as a result of which Bittnet's capital increased by the amount of 32,765,796.89 lei, corresponding to a number of 105,696,119 new shares. As part of this financing operation, 96,018,700 new shares were subscribed, through new cash contributions, in the amount of 29,765,797 lei (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 63,417,671.40 lei, related to a number of 634,176,714 ordinary shares.

b) Issue premiums

The issue premiums were constituted on the occasion of capital increases and can be used to increase the social capital in future operations.

c) Legal reserve

According to Law 31/1990, at least 5% of the profit is taken every year 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, having implications on the recalculation of the profit tax.

d) Other elements of equity

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 held

Number of treasury shares

Balance on 01.01.2023	23,970,745
Sales 2023	14,723,545
Balance on 31.12.2023	9,247,200
Sales Q1 2024	9,247,200
Redemptions Q3 2024	1,822,931
Balance on 30.09.2024	1,822,931

During the year 2023, the Group sold 14,723,545 shares at a total price of 4,550,607 lei.

During January 2024, the Group fully sold the treasury shares held on 31.12.2023 at a total price of 2,866,327.89 lei.

Own share buyback program – August 2024

On 07.08.2024 Bittnet Systems informed investors and the capital market about the Decision of the Board of Directors of 06.08.2024 regarding the start of a buyback program of its own shares, starting from 07.08.2024.

The period of the program was set at 18 months from the date of registration of AGEA Decision 04 of 2024 - approving the buyback operation, in the records of the Trade Register, a term that began to run from 05/08/2024. The maximum number of redeemed shares was set at 10,000,000 BNET ordinary shares, within the limit of a maximum budget allocated for this operation of 2,000,000 lei.

The intermediary through which this market operation is carried out is BRK Financial Group and the maximum daily volume redeemed is within the limit of 25% of the average daily amount of shares that are traded on the market, calculated according to the applicable legislation, according to art. 3 paragraph (3) lit. b) from EU Delegated Regulation 2016/1052.

The price at which redemptions are made is within the range established by AGEA Decision no. 04 of 25.04.2024: the minimum redemption price 0.1 RON/share (respectively the nominal value of the BNET share), and the maximum redemption price 0.25 RON/share. The implementation of the redemption program is carried out from own sources.

Until the 30th.09.2024, the Group repurchased 1,822,931 shares with a total value of 361,682.87 lei.

Essential reasoning – SOP recognition and evaluation

The group assessed from the perspective of IFRS 2 whether the share-based payment transactions with employees (SOP) are settled in cash or by issuing shares.

The group settles the transactions by issuing to the option holders a number of shares equivalent (at the market price) to the financial value of the option. The capital increase is done by lifting the right of preference and based on the Administrator's Decision.

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

Transactions with employees and other collaborators who provide similar services were valued at the fair value of the equity instruments granted, as it was usually not possible to reliably estimate the fair value of the services received.

Significant estimates – SOP assessment

The evaluation of the fair value at the grant date (according to IFRS 2) - the date of approval by AGEA of each plan - is carried out using the Black-Scholes model, using as values for the model:

- the spot price on the date of the AGM, ie the average price adjusted for splits at t-1
- the strike price (on 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, ie ROBOR 12M published at t-1
 - the number of shares of the company from the date of grant
 - the dilution percentage from the Stock Option Plan

The full value of each plan is recognized in costs for the duration of each plan.

SOP 2021

By Decision no. 5 of the AGEA of April 27, 2021, the Company's shareholders voted for an incentive plan with options for key persons with a duration of 2 years, in the amount of a maximum of 5% of the Company's total shares. In May 2023 the key persons did not exercise their purchase option given the execution conditions of the plan, so the SOP2021 plan expired unexercised.

SOP 2022

By Decision no. 7 of the AGEA of April 20, 2022, the Company's shareholders voted for an incentive plan with options for key persons with a duration of 2 years, in the amount of a maximum of 5% of the Company's total shares.

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

Through Resolution 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 regarding loans from bond issues are presented in the following table:

	<u>30 Sep 2024</u>	<u>31 Dec 2023</u>
BNET26E	9,711,489	9,689,652
BNET27A	4,921,025	4,899,486
BNET28	9,792,968	9,751,562
BNET28A	6,241,583	-
Accumulated interest	167,366	47,458
Total, of which:	<u>30,834,431</u>	<u>24,388,157</u>
The long term part	30,667,065	24,340,699
The short-term part (interest)	167,366	47,458

In 2016, 2017, 2018, 2022, 2023 and 2024, the group carried out bond offers maturing in 2019, 2022, 2023, 2026, 2027 and 2028 through which it obtained from the capital market a 'committed' financing of over 50 million lei (all shows are listed on the BSE).

BNET26E

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

BNET27A

Between May 30 and June 21, 2023, Bittnet Systems carried out the first public offering of corporate bonds from the Bucharest Stock Exchange when it offered for sale a maximum number of 50,000 corporate bonds, unsecured, with a nominal value of 100 lei, each investor interested with the possibility to subscribe in the price range of 96 lei - 104 lei 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 for the accepted subscriptions (placed at the offer price and at 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 was June 26. On July 19, 2023, the BNET27A bonds began to be traded on the Regulated Market administered by BVB.

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 94 lei - 106 lei per bond, respectively between 94% and 106% from the nominal value. During the offer period, a total of 530 subscription orders were placed on 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.

BNET28A

During the period: April 2 - April 15, 2024, a maximum number of 150,000 unsecured, non-convertible corporate bonds with an individual nominal value of 100 lei were put up for sale, each interested investor having the opportunity to subscribe in the price range: 94 lei – 106 lei per bond, respectively between 94% and 106% of the nominal value of the instrument, according to the Offer Prospectus public.

During the offer period, 501 subscription orders were received at all price levels, totaling an aggregate volume of 111,025 bonds. Considering the issue price set by the Issuer at 96 lei and in accordance with the Offer Prospectus, the volumes subscribed at prices higher than the issue price (ie at prices 97, 98, 99, 100, 101, 102, 103, 104, 105, 106 lei/bond), were fully settled at the issue price (96 lei) together with the subscriptions placed at the price of 96 lei. Purchase orders at prices lower than the issue price (95 and 94 lei/bond) were not executed. The transaction execution date was April 16, 2024, and the transaction settlement date was April 18, 2024.

Following the establishment of the closing of the offer at the price of 96 lei/bond, the BNET28A issue consists of a number of 66,249 bonds with a total nominal value of 6,624,900 lei, the Issuer raising through this capital market operation the amount of 6,359,904 lei. The BNET28A bonds bear a fixed interest rate of 9% per annum, payable quarterly through the Central Depository system, maturing 4 years after issuance, i.e. in April 2028. From 23.05.2024, the BNET28A bonds are tradable on the regulated market administered by the Bucharest Stock Exchange.

NOTA 11. BANK LOANS

Details regarding bank loans are presented in the following table:

	<u>30 Sept 2024</u>	<u>31 Dec 2023</u>
ProCredit TL loans (DEND)	2,892,331	3,940,619
BT credit investments (DEND)	6,100,880	7,016,012
ProCredit investment credit (DEND)	8,539,446	9,381,614
ProCredit line 4.5 mil. (DND)	-	3,610,155
BT line of credit (DTW)	10,383,711	-
Raiffeisen line 2.5 mil. (2NET)	2,294,475	905,351
Raiffeisen IMM Invest (2NET)	-	258,621
BRD IMM Invest (TT)	1,349,526	2,406,334
BRD line of credit (TT)	5,188,147	-
Total, of which:	<u>36,748,516</u>	<u>27,518,706</u>
The long term part	13,567,898	18,976,363
The short term part	<u>23,180,617</u>	<u>8,542,343</u>

The bank lending structure of the group is mainly made up of investment loans aimed at financing M&A transactions, as well as revolving overdrafts aimed at short-term financing of specific projects. As of the date of this report, the Group has credits for financing current activity, both in national currency and in euros, at the following financial institutions: ProCredit Bank, Banca Transilvania, BRD, Unicredit Bank, Raiffeisen Bank, but also several products such as non- cash for issuing various types of bank guarantee letters contracted from Procredit Bank and Banca Transilvania.

NOTA 12. INFORMATION REGARDING RELATIONSHIPS WITH RELATED PARTIES

Details regarding balances and transactions with related parties are presented below.

The remunerations paid to the Key Management (identified in Note 1) are the following:

	9 months ended at:	
	30 Sept 2024	30 Sept 2023
Management contracts	2,077,463	2,066,167
SOP expenses	733,987	475,288
Total	2,811,450	2,541,455
liability	30 Sept 2024	31 Dec 2023
Key employees	234,450	333,438
Total	234,450	333,438
Claims and loans	30 Sept 2024	31 Dec 2023
E-Learning Company – principal loan	450,000	600,000
E-Learning Company - interest	4,932	37,438
Total	454,932	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. The maturity of the loan was later extended until 31.12.2024.

NOTA 13. CONTINGENT LIABILITIES**File30598/3/2021 – litigation Bucharest Mall Development and Management**

During 2021, the Group became aware of the existence of file 30598/3/2021 before the Bucharest Court, against the owner of the former office space - Bucharest Mall Development and Management SRL ("Anchor" or "Owner").

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

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

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

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

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

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

In the correspondence between the parties prior to the formulation of the summons request, Anchor contested the unilateral notice of termination of the Group, and considering the Contract as being in force, continued to issue invoices after the termination of the Contract by unilateral termination. The group maintained and

confirmed its position, refusing to pay invoices issued after the termination date, in the absence of a contractual relationship.

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

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

On 23.09.2021, the Group notified the Owner regarding the fact that the Notice of Termination sent on 04.08.2021 is void, considering that the respective Contract was already terminated as a result of the Notice of Unilateral Denunciation sent by the Group on 27.01.2021, and Bittnet's unilateral manifestation of will, unequivocal and firm in the sense of denunciation, is sufficient to produce effects and operates legally and irrevocably from the date of its communication.

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

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

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

1. The amount of Rent and Penalties owed by the Defendant outstanding on the date of the filing of the summons, reported on 27.05.2021 as the date of termination of the contract.
2. The Amount of Rent and Penalties owed by the Defendant outstanding on the date of the filing of the summons, reported on 24.08.2021 as the date of termination of the contract.
3. The separate value of the costs of utilities and services for the period March-May 2021 and of the penalties related to 27.05.2021 as the date of termination of the contract.
4. The separate value of the costs of utilities and services for the period June-August 2021 relative to 24.08.2021 as the date of termination of the contract.
5. The correctness of the method of calculation of the sums requested for payment through the summons request, namely the sums of 267,214.96 lei, representing rent, service tax and utility costs, 100,109.95 lei representing late penalties and 3,632,709, 91 lei, representing compensatory damages, according to the plaintiff's request.

The parties responded to the questioning and by the conclusion of the session dated January 27, 2023, the court approved the testimonial evidence with 2 witnesses who were heard in the session of 03.10.2023.

Until the deadline of 10.03.2023, the appointed expert did not submit the expert report and requested a postponement without specifying a deadline for its completion. Due to the lack of the expert report, the court granted a new deadline for 21.04.2023. The expert report was submitted on 16.06.2023, and the court remained in judgment for 30.06.2023.

After successive postponements, the court ruled on 04.08.2023. The solution in short: "Accept the request in part, as stated. It obliges the defendant to pay to the plaintiff the sum of 102,627.51 lei, by way of delay penalties. He rejects the other claims as unfounded. Compensates in part the court costs due to each party and, consequently, obliges the defendant to pay the plaintiff the sum of 3,203.92 lei, as court costs. With appeal within 30 days of communication. The appeal is submitted to the Bucharest Court - VI Civil Section."

On 4.11.2024, the decision was communicated to the parties, with the right to appeal within 30 days of communication.

The group registered a provision in the amount of 105,831.42 lei in the financial statements from 12.31.2023.

File no. 665/88/2020 – Fraher Distribution litigation

Through the application registered on the roll of the Tulcea Court - Civil Section, Administrative and Fiscal Litigation on June 4, 2020 under no. 665/88/2020, the plaintiff FRAHER DISTRIBUTION SRL, contrary to the defendant ELIAN SOLUTIONS SRL, requested to be declared intervener resolution of Contract no. 201/29.12.2017, with the consequence of returning the parties to their previous situation, by the defendant returning the sum of 541,490.08 lei; to state that the resolution of Contract no. 202/29.12.2017, with the consequence of returning the parties to the previous situation, by the defendant returning the amount of 344,886 lei and obliging the defendant to pay contractual penalties for delay, as well as the amount of 129,103.38 lei as damages; to state that the termination of Contract no. 240/21.03.2019 and to oblige the defendant to pay the amount of 33,868.59 lei, as damages; to order the defendant to pay court costs.

Elian Solutions filed an objection by which it requested the rejection of the summons request and the obligation of the plaintiff to pay the court costs.

By Civil Sentence no. 1898/2021 pronounced by the Bucharest Court, Civil Section VI, the court found that Elian Solutions properly fulfilled its obligations according to contract no. 202/29.12.2017, regarding the provision of the implementation services of the Microsoft Dynamics NAV 2017 computer program and implicitly ensured the support and maintenance services under the terms of Contract no. 240/21.03.2019. Therefore, the court found that the plaintiff does not prove the fulfillment of the conditions of contractual liability regarding the illegal act, the damage, the causal link and the guilt. For these reasons, the court rejected the summons filed by the plaintiff FRAHER DISTRIBUTION SRL, in opposition to the defendant ELIAN SOLUTIONS SRL, as unfounded.

The appellant-plaintiff Fraher Distribution SRL on 16.12.2021 filed an appeal against civil sentence no. 1898/02.07.2021 pronounced by the Bucharest Court – Civil Section VI in file no. 665/ 88/ 2020.

At the deadline of September 7, 2022, the Court of Appeal approves for the appellant-complainant the test with entries and technical expertise in the IT specialty, with the following objectives:

1. Let the expert determine the version (year) of the licenses required to use the Microsoft Dynamics NAV 2017 application that were delivered by the respondent-defendant pursuant to contract no. 201/29.12.2017;

2. Let the expert determine the number of users related to Microsoft Dynamics NAV 2017 licenses delivered by the respondent-defendant pursuant to contract no. 202/ 29.12.2017;
3. For the expert to determine whether there are malfunctions in the implementation of the Microsoft Dynamics NAV 2017 computer program that was the subject of contract no. 202/ 29.12.2017 and, if applicable, what they are, as well as their causes;
4. For the expert to determine whether the implementation phases of the Microsoft Dynamics NAV 2017 program were completed late;
5. For the expert to determine whether all the implementation phases have been executed or how many of the total number (implementation stage);
6. For the expert to determine whether the implementation of the Microsoft Dynamics NAV 2017 program has been completed;
7. For the expert to determine whether, given the current state, the Microsoft Dynamics NAV 2017 application is functioning within optimal parameters.

By the conclusion of the session dated 02.11.2022, the court granted a deadline for 25.01.2023 in order to carry out the judicial expertise in the IT specialty, to submit the forensic expertise report, as well as in order to summon the respondent-defendant to the new registered office, postponing appeal judgment.

By the conclusion of the meeting dated 25.01.2023, the court granted a deadline for 22.03.2023 in order to carry out the judicial expertise in the IT specialty, to submit the forensic expertise report, postponing the judgment of the appeal.

On 14.02.2024, the Bucharest Court of Appeal by Decision No. 251/2024 admitted the appeal as follows:

- Partially changes the appealed sentence in the sense that it orders the partial resolution of contract no. 201/29.12.2017 and obliges the defendant respondent to pay in favor of the plaintiff appellant the sum of 186,137,215 lei.
- Maintain the rest of the provisions of the appealed sentence.
- Accepts the request of the judicial expert and orders the increase of his fee by the amount of 5,000 lei. Establishes the obligation of the appellant to pay the expert's fee in the amount of 5,000 lei.
- Forces the respondent to pay the sum of 15,925 lei as court costs in favor of the appellant-claimant, of which the sum of 5,000 lei under the condition of proof by the appellant-claimant of paying the increased fee of the judicial expert.
- The plaintiff-appellant is ordered to pay the sum of 5,672 lei as court costs in favor of the respondent-respondent. Partially compensates the court costs up to the competition of the amount of 5,672 lei.
- With appeal within 30 days of communication. The application for exercising the right of appeal is submitted to the Bucharest Court of Appeal, Civil Section VI.

Until the date of this report, the sentence has not been communicated to the parties.

The group recorded a provision in the amount of 186,137 lei in the financial statements from 12.31.2023.

File 19985/3/2024 – litigation General Inspectorate of the Border Police

During June 2024, the Group became aware of the existence of file 19985/3/2024 pending at the Bucharest Court, Administrative and Fiscal Litigation Section, in opposition to the General Inspectorate of the Border Police ("IGPF"), as follows:

Subject: litigation regarding public procurement.

Plaintiff: General Inspectorate of the Border Police ("IGPF")

Defendant: The association formed by Dataware Consulting SRL - leader ("Dataware") and Idemia Identity & Security France ("Idemia").

Details of the action are given below:

The action in court was brought regarding the Contract for public purchase of products no. 281/2021, for:

- (i) payment of penalties in the amount of 4,296,351.84 lei; and
- (ii) the repair of the alleged damage in the amount of 4,844,605 lei, consisting in the loss of non-refundable external financing as a result of the non-delivery of 409 mobile EES control devices;

Public procurement contract for products no. 281 was signed by the IGPF and the Association on 22.09.2021 and was successively amended by 6 additional documents (the "Contract").

Total value of the Contract: 24,610,253 lei (without VAT).

Object of the Contract: procurement of 465 fixed EES control sets, 409 mobile EES control devices, a mobile control device centralized management platform, 134 fixed travel/visa document readers and 29 fixed fingerprint readers.

The penalties in the amount of 4,296,351.84 lei, requested by the action, are related to a calculation of 725 days of delay for 391 mobile control devices and 435 days of delay for 18 mobile control devices, and were invoiced by the IGPF through the invoice no. 8/03/06/2024.

The payment of penalties is closely related to the measure of termination of the Contract, the penalties being requested as a result of an alleged improper execution of the Contract (which ultimately led to the termination). The termination of the Contract and the claim of penalties regarding the mobile devices are unfounded, the delays not being due to improper execution that can be imputed to the Association. In reality, the IGPF abusively rejected the reception of the 409 mobile devices, calculating penalties throughout this period, despite the fact that they met all the necessary technical specifications.

In the second petition of the summons, the IGPF requests the obligation of the Association to pay the amount of 4,844,605 lei, representing non-refundable external funds that the Claimant claims to have lost as a result of the failure to execute the Contract properly and on time .

The amount indicated by the IGPF in the action for the alleged damage from the loss of non-refundable external financing is 4,844,605 lei without VAT, of which 3,633,453.75 lei - external financing from the Internal Security Fund: the component for borders and visas, and 1,211,151.25 lei - national co-financing; IGPF did not issue the invoice for this amount.

The IGPF requests damages for reparation of a damage that it does not prove in any way - it has not provided any document from which it can be concluded the existence, the method of calculation and the sufficient connection with the amount representing the non-refundable external financing or evidence in the sense that, exactly this the amount would have been received as non-refundable external financing; IGPF unfoundedly

claims that the damage suffered is equal to the value of the non-reimbursable external financing that it would have received under two financing contracts that were not included in the award documentation/specifications/Contract, not being necessary (in IGPF acceptance) no additional evidence in this sense. Thus, interest damages are claimed, the amount of which has not been conventionally evaluated by the parties, neither through a penal clause, nor by reference to a reference element, nor in any other way.

At the first term of 21.08.2024 in the file 19985/3/2024 (subject to the payment of penalties in the amount of 4,296,351.84 lei and the repair of the alleged damage in the amount of 4,844,605 lei), to which the file 22473/3 was also connected /2024 (subject to canceling the termination of the contract no. 281/2021 with the IGPF), the court adjourned the case at the request of Idemia, who requested the introduction and communication of the IGPF action, in order to formulate an appearance. The next set deadline was 04.10.2024, when the court postponed the trial in order to take note of the documents submitted to the file. The next deadline granted in the case is 15.11.2024, when the requested evidence will be discussed: technical expertise, IT specialty, witnesses, documents.

Considering the current stage of the procedure as of the date of this report (November 2024) and the complexity of the evidence, the Group Management considers any evaluation of the chances or the procedures, in the sense of the creation of provisions to affect the results of the second semester of 2024, to be premature.

Investigation by the Competition Council on the IT market in Romania

On 05.06.2024 Bittnet Systems SA informed investors about the launch of an investigation by the Competition Council regarding possible anti-competitive practices committed by participants in the IT market in Romania. The companies Dendrio Solutions SRL (Dendrio) and Dataware Consulting SRL - currently called Dendrio Innovations SRL (Dataware) - companies part of the Bittnet group, are also involved in the investigation.

After the unannounced inspection carried out between July 4-5, 2024 at the headquarters of the Dendrio and Dataware companies, each of the companies submitted their point of view regarding the confidential information contained in the documents raised by the competition inspectors, and this point of view represents a standard stage in within the investigation procedure.

Thus, until the date of this report, no investigation report or an official position of the Competition Council has been communicated to Dendrio or Dataware, the competition authority still being in an early phase of analyzing the information selected during the unannounced inspections. In the absence of an official position issued by the competition authority in the form of an investigation report, there is no presumption regarding a potential violation of the competition rules.

Usually, the investigations of the Competition Council last longer (on average between 2 and 4 years, depending on the number of parties involved and the volume of information that must be processed by the investigation team), so that a completion of the analysis is not expected to the investigative team earlier than the end of next year.

NOTA 14. EVENTS AFTER THE REPORTING PERIOD**I. Convocation of the Ordinary and Extraordinary General Meeting of Shareholders on 16.12.2024**

In mid-November, the Board of Directors convened the General Meeting of Shareholders for December 16, 2024. The agenda includes the ratification of the two transactions, the purchase of 11.77% of Dendrio Solutions SRL as well as the sale of 58,86% of Fort SA, together with the renewal of the mandate of the financial auditor for the individual and consolidated financial statements of the Bittnet group – respectively KPMG Audit.

II. Changing the name of companies part of the Bittnet group

At the end of October, the name change for the companies in the Digital Infrastructure pillar of the group was processed at the level of the Trade Register. Thus, the company Dataware Consulting SRL became Dendrio Innovations SRL, and the company TopTech SRL became Dendrio Technology SRL. The rest of the identification coordinates, respectively CUI, no. registration number, EUID number, registered office addresses, remained unchanged. The name change is part of the rebranding process at the level of the largest pillar of the group, also reorganized from an administrative point of view under the company Dendrio Solutions, in line with the management strategy of optimizing and simplifying the group structure. Dendrio Solutions, Dendrio Innovations (formerly Dataware Consulting) and Dendrio Technology (formerly TopTech) are part of the Digital Infrastructure pillar of the Bittnet group alongside 2Net Computer (in the process of merger by absorption into Dendrio Technology) and Optimizor (ITPrepared SRL).

III. FORT Shares Sale & Dendrio Solutions Shares Purchase

In October, Bittnet informed investors about the signing of two share purchase agreements with the investment funds Agista Investments and Impetum Investments through which a bilateral exchange of Fort SA shares and Dendrio Solutions SRL shares will be carried out, in several steps as follows:

1. The sale by Bittnet Systems SA of a number of 6,598,350 shares of Fort SA representing a participation of 58.8650% of the share capital and voting rights for the total amount of 23,490,126 lei;
2. The purchase by Bittnet Systems SA of a number of 90,014 Dendrio Solutions SRL shares, representing 11.7765% of the share capital and voting rights, from Agista Investments, for the total amount of 16,828,603 lei.

The intention of the parties is for the transaction to be carried out in 3 steps after approval by the authorities: following the first two installments, Bittnet will fully acquire the 11.7765% holding of Agista Investments within Dendrio Solutions, and Impetum and Agista will acquire a number of 5,156,272 Fort SA shares. In tranche 3, which is to be completed within a maximum of 6 months from tranches 1 and 2, Agista / Impetum is to acquire 1,442,078 shares of Fort SA. The transactions are subject to the fulfillment of the usual suspensive conditions, and to adjustments regarding the setting of the share price Fort SA within the daily variation channel according to the AeRO market regulation, being conditional on obtaining the necessary approvals from the Competition Council and the Commission for the Examination of Foreign Direct Investments.