Universal Registration Document

Annual Report for 2023

Fiscal year	01.01.2023 – 31.12.2023
Name of the company	BITTNET SYSTEMS S.A.
Registered	București, Sector 5, Strada Serg. Ion Nuțu, nr. 44, One Cotroceni Park, Corp A și Corp B, Etaj 4
Mail address/operating premises	București, Sector 5, Strada Serg. Ion Nuțu, nr. 44, One Cotroceni Park, Corp A și Corp B, Etaj 4, 050691
Telephone/fax	021.527.16.00 / 021.527.16.98
Unique registration code at the Trade Register Office	21181848
Trade Register registration number	J40/3752/2007
The regulated market on which the issued securities are traded	Bucharest Stock Exchange, Standard Segment
Paid-up and subscribed share	RON 63,417,671.40
The main characteristics of securities issued by the company	634.176.714 shares at a nominal value of RON 0.10 RON per share
Trading Symbol	BNET - shares BNET26E, BNET27A, BNET28 – bonds
Code ISIN shares	ROBNETACNOR1
Contact	investors@bittnet.ro

your value upgraded

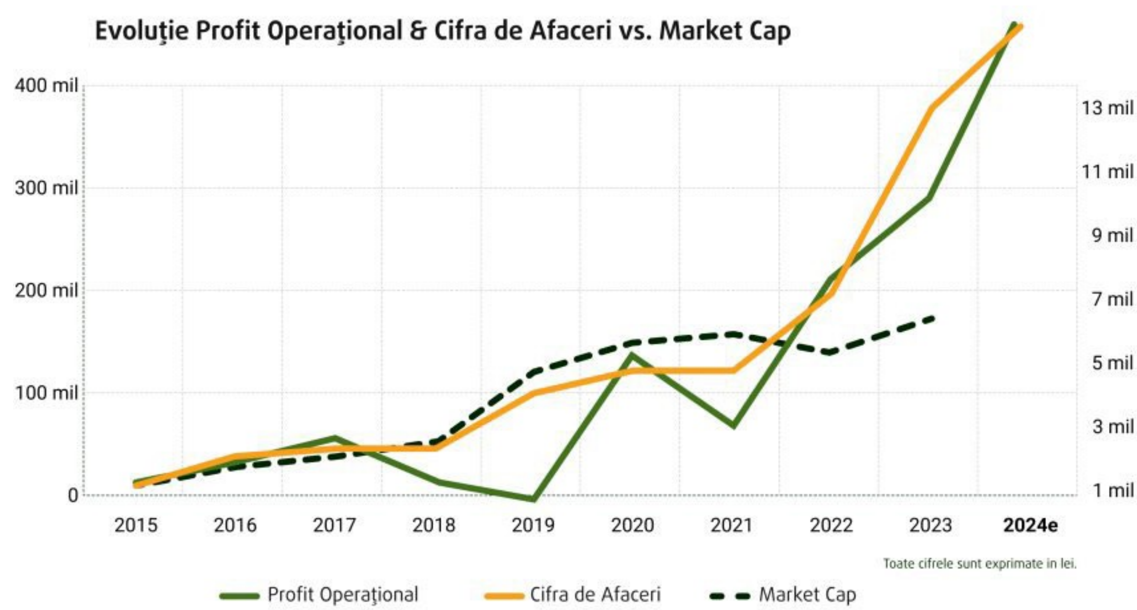
Table of content

Key information

Key results, history, thousand

Year	Revenue	Profit Operations nal[1]	Profit Net	CashFlow Operations	Assets	Cash	Equity	Mkt. Chap.	ROE
2014	8,180	582	115	394	5,428	813	865	7,896	
2016	13,667	1,929	870	-1,768	10,446	2,355	3,100	21,418	61%
2018	47,891	1,319	4,408	3,397	59,069	13,048	14,001	55,530	86%
2020	109,192	5,930	1,025	8,120	102,353	24,873	27,646	157,586	49%
2022	192,156	8,372	-2,192	17,995	220,596	42,300	57,494	155,902	9%
CAGR	53%	46%	20%	75%	56%	65%	68%	41%	

In the chart below, we have summarised the essence of our operational model that we have followed so far and our proposed investment thesis. The chart shows the evolution of revenues, assets, market capitalisation and operating profit,
providing a visual insight into our strategic investment performance and direction.



NOTE TO INVESTORS

According to EU Regulation 1129 / 2017, Article 9, paragraph (12): Where the universal registration document filed with or approved by the competent authority is made public no later than four months after the end of the financial year and contains the information required to be disclosed in the annual financial report referred to in Article 4 of Directive 2004/109/EC, the issuer shall be deemed to have complied with the obligation to publish the annual financial report referred to in that Article if:

a) shall include in the universal registration document a cross reference list identifying where each item required in the annual and half-yearly financial reports can be found in the universal registration document;

b) submit the universal registration document in accordance with Article 19(1) of Directive 2004/109/EC and make it available to the designated official mechanism referred to in Article 21(2) of that Directive;

c) include in the universal registration document a statement of responsibility under the conditions laid down in Article 4(2)(c): statements by persons responsible within the issuer, clearly identified by name and function, confirming that, in their opinion, the financial statements drawn up in accordance with the applicable set of accounting standards give a true and fair view of the assets and liabilities, financial position and profit or loss of the issuer and of the undertakings included in the consolidation and that the management report gives a true and fair view of the development and performance of the issuer and of the undertakings included in the consolidation and a description of the principal risks and uncertainties that they face.

This Document has been prepared to serve both as the Annual Report for the financial year 2023 as set out above and as a source of reference on the Issuer and the group to which it belongs, providing investors and analysts with the minimum information necessary to make an informed judgement on the business, financial condition, earnings and prospects, governance and shareholder structure of the Company as at the date of writing. This Document has also been drafted for its use for the purpose of future offers to the public of securities, regardless of their type or class, which could take place on a regulated market if supplemented by amendments, as appropriate, and by securities note and a summary approved according to Regulation (EU) 2017/1129. By submitting for approval and publication this Document, Bittnet Systems seeks to maintain its status as a Frequent Issuer of Securities under Regulation (EU) 2017/1129.

The information contained in this Universal Registration Document presents the situation of the Issuer and group to which it belongs, at the date of the Document within the limit of the selected documents and information, except for the cases when another date or source is expressly mentioned.

The information contained in this Document is provided by the Issuer or it derives from public sources, as indicated in the Registration Document. No natural or legal person other than the Issuer has been authorized to provide information or documents.

The information in this Document serves for information purposes only and will not be construed as a legal, financial or tax opinion. Nothing contained in this Registration Document shall be construed as a recommendation to invest or an opinion on the condition of the Issuer or the group of which it is a part, or as legal, tax, financial or professional business advice. The potential investors must be aware of the risk factors to which the Issuer is subject both in terms of the industry in which it operates and the individual risks that are specific to the Issuer. Risks identified by the Issuer are presented in this Document: Section 3 - Risk factors.

The Prospectus Regulation (EU) 2019/980 created the framework for a new document, known as the "Universal Registration Document", designed to speed up the prospectus approval process for frequent issuers of financial instruments. Under the EU Regulation, frequent issuers are encouraged to prepare their prospectuses as separate documents as this reduces the cost of compliance and allows them to react quickly to market opportunities. Therefore, issuers whose financial instruments are admitted to trading on regulated markets or MTFs have the possibility to draw up and publish each financial year a universal registration document containing legal, commercial, financial, accounting and shareholder structure information and providing a description of the issuer for that financial year. The preparation of a Universal Registration Document allows the issuer to update information and prepare a prospectus when market conditions become conducive to a public offering of securities or admission to trading on a regulated market, by adding a note on the presentation of the instruments (shares / bonds) and of a summary. The universal registration document is used as a reference source on the issuer, providing investors and analysts with the minimum information necessary to make an informed decision on the company's business, financial condition, earnings and prospects, governance and shareholder structure.

Statement on Prospects

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

Prospects include statements regarding current intentions, beliefs or expectations regarding, among other things, results of operations, vision, growth, dividend strategy and policy or the industry in which the Issuer and the group of which it is a part operate. The statements on prospects contained in this document refer to the date of this document. The Company undertakes no obligation to release any updates or revisions to any such statement on prospects contained in this Document to reflect any change in the Company's expectations with respect thereto or any change in events, conditions or circumstances on which any such statement is based, unless required to do so by applicable law.

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

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

When reading statements on prospects, investors should carefully consider the above factors and other uncertainties or developments, particularly in light of the political, economic, social and legal environment in which the Company operates.

Given these risks and uncertainties, investors should not rely on outlook statements as a forecast of actual results.

Annex 1: Cross-references - Annual Report according to Regulation no. 5 / 2018 vs. Universal Registration Document

Requirement of Regulation no. 5/2018	This document
The report shall comprise the directors' report and, where applicable, the consolidated directors' report, drawn up in accordance with the applicable accounting regulations, and shall, in the case of regulated markets, also include:	
II. Corporate governance statement, and where applicable,	Section 14.4
III. Non-financial statement on environmental, social and personnel issues, respect for human rights and the fight against corruption and bribery.	not applicable
1. Analysis of the issuer's activity	
a) Description of the issuer's core business	Point 5.1.1
b) Specification of the date of establishment of the issuer	Point 4.3
c) Description of any significant merger or reorganisation of the issuer, its subsidiaries or controlled companies during the financial year	Point 6.2
d) Description of acquisitions and/or disposals of assets	Point 5.7
e) Description of the main results of the evaluation of the issuer's activity:	
1.1.1. Elements of general assessment:	
a) profit;	Point 5.3
b) turnover;	Point 5.3
c) export;	Point 5.2 and 5.3
d) costs;	Point 5.3
e) % of market owned;	Point 5.2
f) liquidity (available in the account, etc.).	Point 7.1
1.1.2. Assessment of the technical level of the issuer Description of the main products and/or services provided, specifying:	
(a) the main markets for each product or service and the distribution methods;	Point 5.2
b) the share of each category of products or services in the revenues and total turnover of the issuer for the last 3 years;	Point 5.2
c) the envisaged new products for which a substantial volume of assets will be affected in the next financial year, as well as the stage of development of these products.	Point 5.7.1.D
1.1.3. Assessment of technical-material supply activity (indigenous sources, import sources) Provision of information on security of supply sources and prices of raw materials and stock sizes of raw materials and materials	Point 5.8
1.1.4. Evaluation of sales activity	
a) Description of sequential sales developments on the internal and/or external market and medium and long-term sales perspectives	Point 5.2 and 5.3
b) Description of the competitive situation in the issuer's field of activity, the market share of the issuer's products or services and the main competitors	Section 5.2
c) Description of any significant dependence of the issuer on a single client or group of clients whose loss would have a negative impact on the issuer's corporate income	Section 5.9
1.1.5. Assessment of aspects related to the issuer's employees/staff	
a) Indication of the number and level of training of the issuer's employees, as well as the degree of labour force syndication	Section 15.1
b) Description of the relations between the manager and the employees, as well as any conflicting elements that characterize these	

1.1.6. Assessment of aspects related to the impact of the issuer's core business on the environment Summary description of the impact of the issuer's core activities on the environment and of any existing or anticipated litigation concerning breaches of environmental protection legislation	Point 5.7.4
1.1.7. Assessment of research and development activity. Expenditure for the financial year and expenditure expected for the following financial year on research and development activity	Section 7.3
1.1.8. Assessment of the issuer's risk management activity. Description of the issuer's exposure to price, credit, liquidity and cash flow risk. Description of the issuer's risk management policies and objectives	Section 3
1.1.9. Prospective elements regarding the issuer's activity	
a) Presentation and analysis of trends, elements, events or uncertainty factors affecting or likely to affect the issuer's liquidity compared to the same period of the previous year	Point 5.3, Section 10
b) Presentation and analysis of the effects of capital expenditures, current or anticipated, on the financial situation of the issuer compared to the same period last year	Point 5.3, Section 10
c) Presentation and analysis of events and transactions of economic changes that significantly affect the income from the core activity	Point 5.3, Section 10
2. Tangible assets of the issuer	
2.1. Specification of the location and characteristics of the main production capacities owned by the issuer	Point 5.7.1. B
2.2. Description and analysis of the degree of wear of the issuer's properties	Point 5.7.1. C
2.3. Indication of potential ownership issues related to the issuer's right of ownership on the tangible assets	Point 5.7.1.C
3. Market of the securities issued by the issuer	
3.1. Specifying the markets in Romania and other countries where the issued securities are traded	Point 9.2
3.2. Description of the issuer's dividend policy. Details of dividends due/paid/accrued over the last 3 years and, if applicable, reasons for any decrease in dividends over the last 3 years	Point 9.3, Point 9.4, Point 18.5
3.3. Description of any activities of the issuer to acquire its own shares	Point 9.5
3.4. Where the issuer has subsidiaries, an indication of the number and nominal value of shares issued by the parent company and held by the subsidiaries	Point 9.6
3.5. If the issuer has issued bonds and/or other debt securities, disclosure of how the issuer discharges its obligations to holders of such securities	Point 9.7
4. Issuer's management	
4.1. Presentation of the issuer's administrators list and the following information for each administrator:	Section 12
a) CV (name, surname, age, qualification, professional experience, position and seniority);	
b) any agreement, understanding or family tie between the respective manager and another person due to which the respective person has been appointed administrator;	
c) the manager's participation in the issuer's capital;	
d) the list of persons affiliated to the issuer.	
4.2. Presentation of the list of executive management members of the issuer	Section 12 Point 14.1
For each, the following information shall be provided:	
a) for which period the person is part of the executive management;	
(b) any agreement, arrangement or family relationship between that person and another person by virtue of which that person has been appointed as a member of the executive management;	
c) the participation of the respective person in the capital of the issuer.	

4.3. For all persons referred to in points 4.1 and 4.2, the indication of any disputes or administrative procedures in which they have been involved, in the last 5 years, regarding their activity within the issuer, as well as those regarding the capacity of that person to perform their duties within the issuer	Section 12
5. Financial and accounting statement	
Presentation of an analysis of the current economic and financial situation compared to the last 3 years, referring at least to:	Section 7 Point 8.2
a) balance sheet items: assets representing at least 10% of total assets; cash and	
b) other liquid assets; reinvested profits; total current assets; total current liabilities;	
c) profit and loss account: net sales; gross income; cost and expense items of at least 20% of net sales or gross income;	
d) risk and miscellaneous expenses provisions; reference to any sale or cessation of a segment of activity carried out in the last year or to be carried out in the following year;	
e) dividends declared and paid;	
f) cash flow: all changes occurred at the level of cash within the core activity, investments and financial activity, the level of cash at the beginning and the end of the period.	
The annual report shall be accompanied by copies of the following documents:	
a) the instruments of incorporation of the issuer, if they have been amended in the year for which the reporting is made;	Point 19.2
b) acts of resignation/dismissal, if there have been such situations among members of the administration, executive management, auditors;	Point 14.1
c) the list of subsidiaries of the issuer and entities controlled or controlling the issuer.	Section 6

DEFINITIONS

Within this Universal Registration Document, unless explicitly stated otherwise, the following capitalized terms will have the following meanings, applicable both to singular and plural forms:

“Articles of Association”	The Articles of Association of the Issuer, in force and applicable at the date of this Universal Registration Document
“Shares”, “Existing Shares” or “Company Shares”	All shares that are issued by the Company at the date of approval of this Document
“GMS”	General Meeting of the Company's Shareholders
“EGMS”	Extraordinary General Meeting of the Company's Shareholders
“OGMS”	Ordinary General Meeting of Company's Shareholders
“FSA”	Financial Supervisory Authority
“NACE”	Classification of Activities in National Economy
“the Company” and/or “the Issuer” and/or “the Company” and/or “Bittnet S.A.” and/or “Bittnet”,	Bittnet Systems S.A., the issuer of the Shares described in this Registration Document
“Board of Directors” / “BD”	On 29.01.2020, the General Meeting of Shareholders approved the amendment of the company's articles of association for administration purposes by a Board of Directors consisting of 3 members. On 27.04.2023, the General Meeting approved the extension of the Board of Directors to 5 members, taking into account the current size of the issuer and the group to which it belongs, and elected the two new members whose mandates were aligned with the existing members at the date of the Meeting, i.e. until 29.01.2024. On 25.01.2024, the General Meeting elected the new composition of the Board of Directors for a 4-year term of office, starting on 30.01.2024. At the time of writing this Universal Registration Document, OGMS resolutions have been registered with the TRO (Ro. ONRC).
“Central Depository”	Depozitarul Central S.A., with its registered office in Bulevardul Carol I nr. 34 - 36, etajele 3, 8 si 9, sector 2, postal code 020922, Bucharest, Romania, means the institution that provides services for depositing, registering, clearing and settling transactions with financial instruments, as well as other operations related to them, as defined in the Capital Market Law
“Investors”	Persons interested in the Issuer's shares/bonds.
"Law 24 / 2017" "Law of Issuers"	Law No 24/2017 on issuers of financial instruments and market operations, published in the Official Journal Part I No 213 of March 29, 2017
“Companies Law”	The Companies Law No 31/1990, republished in the Official Journal No 1066 of 17.11.2004, as subsequently amended and supplemented
“Leu” or “Lei” or “RON”	The official currency of Romania
“MTF market”	The multilateral trading facility (MTF) operated by the Bucharest Stock Exchange, the MTF market, known as the AeRO market.
“Regulated Market”	The regulated market managed by the Bucharest Stock Exchange. The market on which the issuer's shares and bonds are traded.
“The Universal registration document”/“the Registration document”/“the document”	This Universal Registration Document of Bittnet Systems S.A.
“Trade Registry”	Database containing registers and registration of traders and other entities provided by law

"Regulation 5/2018"	The FSA Regulation No 5/2018 on issuers and securities transactions, as amended and supplemented
"Regulation 1129/2017"	Regulation (EU) 2017/1129 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC
"Commission Delegated Regulation (EU) 2019/979"	Commission Delegated Regulation (EU) 2019/979 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council with regard to regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal, and repealing Commission Delegated Regulation (EU) No 382/2014 and Commission Delegated Regulation (EU) 2016/301.
"Commission Delegated Regulation (EU) 2019/980"	Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004
"Working day"	Any day on which both the Romanian interbank market and the trading systems of the Bucharest Stock Exchange and the clearing and settlement systems of the Central Depository are open for business.

The information used in the preparation of this Universal Registration Document relating to the Issuer and its activity has been provided by BITTNET SYSTEMS S.A., a company with registered office in Bucharest, Sector 5, Str. Serg. Ion Nuțu, no. 44, One Cotroceni Park, Corp A and Corp B, Etaj 4, telephone 021.527.16.00, fax 021.527.16.98, website http://investors.bittnet.ro/, sole registration code RO 21181848, registration number in the Trade Register J40/3752/2007 ("Issuer").

The persons responsible for the information contained in this Document on behalf of the Issuer:

Mihai Logofătu – Director General;

Statements by responsible persons:

The Issuer's Representative declares that, having taken all reasonable care to ensure that such is the case, the information concerning the Issuer contained in this Universal Registration Document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to materially affect its import.

Section 1: Responsible persons, third party information, expert reports and competent authority approval

1.1– 1.2 PERSONS RESPONSIBLE AND DECLARATION BY THOSE RESPONSABILE

1.1. Identify all persons responsible for the information or parts thereof included in the document, indicating, in the second case, the parties in question. In the case of natural persons, including members of the issuer's administrative, management or supervisory bodies, indicate the name and function of the person; in the case of legal persons indicate the name and registered office.

The information used in the preparation of this Universal Registration Document relating to the Issuer and its activity has been provided by BITTNET SYSTEMS S.A., a company with registered office in Bucharest, Sector 5, Str. Serg. Ion Nuțu, no. 44, One Cotroceni Park, Corp A and Corp B, Etaj 4, telephone 021.527.16.00, fax 021.527.16.98, website http://investors.bittnet.ro/, sole registration code RO 21181848, registration number in the Trade Register J40/3752/2007 ("Issuer"), represented by Mihai Logofătu – Director General.

1.2. A declaration by the persons responsible for the document that the information contained in the document is, to the best of their knowledge, in accordance with the facts and that the registration document contains no omission likely to affect its import.

Bittnet Systems S.A., company with its registered office in Bucharest, Sector 5, Str. Serg. Ion Nuțu, no. 44, One Cotroceni Park, Corp A and Corp B, Etaj 4, telephone 021.527.16.00, fax 021.527.16.98, website http://www.bittnet.ro/, sole registration code RO 21181848, registration number in the Trade Register J40/3752/2007, as the Issuer of the Shares, declares that, having made all reasonable enquiries to ensure that this statement is correct, all information contained in this Universal Registration Document is, to the best of its knowledge, in accordance with the facts and the Document contains no omission likely to affect its import.

To the best of the Issuer's knowledge, the information contained in the Universal Registration Document is correct as of the date of preparation of the Document stated on the first page, unless otherwise expressly stated herein. The business and financial condition of the Issuer and the information contained in the Document may change after this date. Except as expressly stated in the applicable legal framework, the Issuer assumes no obligation to update or revise the information contained in this Document.

1.3. If the document contains a statement or report attributed to a person acting as an expert, the following details of that person shall be indicated: (a) name; (b) work place address; (c) qualifications; (d) where applicable, significant interest in the issuing company.

This is not the case, the universal registration document does not contain statements or reports attributed to a person acting as an expert.

1.4. Where the information originates from a third party, confirmation shall be provided that the information in question has been accurately reproduced and that, to the best of the issuer's knowledge and to the extent that the issuer can confirm in the light of the data published by the third party concerned, no facts have been omitted which would make the information reproduced incorrect or misleading. In addition, identify the source(s) of the information.

Not applicable, not the case. The information contained herein does not originate from a third party.

1.5. A statement that: (a) the document has been approved by the Financial Supervisory Authority, as competent authority under Regulation (EU) 2017/1129; (b) the Financial Supervisory Authority approves this document only in terms of meeting the standards of completeness, comprehensibility and consistency required by Regulation (EU) 2017/1129; (c) such approval should not be considered as an approval of the issuer which is the subject of this document.

Given that the Financial Supervisory Authority (FSA) has approved the Issuer's Universal Registration Document for two consecutive financial years by Decisions no. 867 of 15.07.2020 and no. 591 of 06.05.2021, as of 2022 no prior approval of the Document by the FSA was required, in accordance with Article 9, para. (2) of Regulation EU2017/1129. Thus, the Issuer published on the BSE and submitted to the FSA, in May 2022, the Universal Registration Document in order to maintain the status of frequent issuer. The document was amended in December 2022 by an Amendamnet as they intended to use it as part of a Prospectus for a capital increase with new cash contributions, which was carried out in Q1 2023.

In April 2023, the Issuer published on the BSE news feeds and on its website and submitted to the FSA the Universal Registration Document for the maintenance and extension of the status of frequent issuer of financial instruments. On the basis of this document, the issuer has prepared a presentation note and a summary , submitting the Prospectus consisting of separate documents prepared for the conduct of a corporate bond offering conducted from May to June 2023 under the issue symbol BNET27A. In November 2023, the Issuer prepared and published an amendment to the Universal Registration Document together with its consolidated form with updated information for use in a Prospectus for the new corporate bond offering being conducted in December under the issue symbol BNET28.

Therefore, the Issuer will not submit this document for approval in 2024 either - unless it forms part of a Public Offer Prospectus. In this case, the Issuer will submit the Prospectus to the FSA for endorsement in a public offering, and should the Prospectus be endorsed by the FSA, the following statements shall also apply to this document:

(a) The document has been approved by the Financial Supervisory Authority (FSA) as competent authority under Regulation (EU) 2017/1129;

(b) The Financial Supervisory Authority approves this Registration Document only in terms of meeting the standards of completeness, comprehensibility and consistency required by Regulation (EU) 2017/1129;

(c) Such approval should not be deemed to be an approval of the issuer which is the subject of this Document;

To the best of the issuer's knowledge and applicable at the time of writing, Bittnet is the first and only issuer listed on the Bucharest Stock Exchange to publish the Universal Registration Document on an annual basis, starting in 2020, thus obtaining and maintaining the status of a frequent issuer of financial instruments.

1.5.1. A statement that the universal registration document may be used for the purpose of a public offering of securities or the admission of securities to trading on a regulated market if completed with amendments, as applicable, as well as a securities note and summary approved in accordance with Regulation (EU) 2017/1129.

The Issuer declares that this Universal Registration Document may be used for the purpose of a future public offering of financial instruments (securities), irrespective of their type or class, that may take place on a regulated market if supplemented with amendments, if any, and a securities note and summary approved in accordance with Regulation (EU) 2017/1129.

Section 2: Statutory Auditors

2.1. Names and addresses of the issuer's auditors for the period covered by the historical financial information (together with details of their membership of a professional body).

The financial auditor of the Issuer is LIONLINK AUDIT SRL, with registered office in Cluj Napoca, Piața Avram Iancu no. 15, Cluj county, registered with the Bucharest Trade Register under no. J12/1894/2009, with SRC 26097382, a company authorized by the Romanian Chamber of Financial Auditors with authorization no. 944/04.12.2009, ASPAAS authorization no. FA944. On October 30, 2023, the Issuer's shareholders voted to revoke the mandate of the auditor BDO Audit and appoint the auditor Lionlink Audit to audit the individual financial statements of the Issuer and the consolidated financial statements of the group of which it is a part for the year 2023.

The shareholders also approved at the General Meeting of October 30, that from the financial year 2024, the mandate of financial auditor will be entrusted to KPMG Audit, both for the audit of individual and consolidated financial statements.

Up to and including the 2019 financial statements, the auditor was ACE CONSULT S.R.L., based in Sibiu, Sos. Constantin Noica, no. 3, registration number with the Trade Register J32/159/2002, SRC RO14469555.

For the financial years ended 2020, 2021 and 2022, the financial auditor of the Issuer was BDO AUDIT SRL, based in Bucharest, Str. Învingătorilor no. 24, et. 1-4, Sector 3, registered with the Trade Register of Bucharest under no. J40/22485/1994, having SRC 6546223, company authorised by the Romanian Chamber of Financial Auditors with authorisation no. 18/2001.

The Group's financial statements for the year ended December 31, 2022 have been audited by BDO Audit, which expressed an amended opinion on these statements on March 27, 2023. BDO Audit's opinion has been modified due to the auditor's inability to determine whether adjustments to revenue and expenses in the consolidated financial statements for the financial year ended December 31, 2022 were required in accordance with the provisions of International Financial Reporting Standard 15, "Contracts with Customers", relating to the revenue recognition policy in transactions in which the Group acts on its own behalf (Eng. “principal”) or acts as an agent (Eng. “agent”) in the case of the resale of software licenses, as these accounting policies are described in Note 7 Revenue from contracts with customers and Note 29 Significant accounting policies in the Group's consolidated financial statements.

BDO Audit's reservation for the Group's financial statements for the year ended December 31, 2022 had no impact on profit and book net assets (equity), but related to the presentation of income from an IFRS15 perspective (Principal vs. Agent), as we detailed and explained at the time. Management's position on the qualified auditor's opinion for the year 2022 was published as early as 27.03.2023 as a supporting document for the agenda of the Ordinary General Meeting of Shareholders on the Issuer's dedicated GMS website on 27.04.2023:

https://investors.bittnet.ro/intalniri-ale-actionarilor/aga-27-aprilie-2023/

The latest financial audit report was prepared in March 2024 and is based on the 2023 financial statements.

The opinion of the Group's auditor - LionLink Audit - on the consolidated financial statements for the year ended 31.12.2023 contains a reservation, relating strictly to the comparative figures for the year ended December 31, 2022. The audit opinion expressed on the Group's consolidated financial statements for the financial year ended December 31, 2022 (from which the corresponding amounts for the financial year 2022 have been derived and which are included in the Group's consolidated financial statements for the financial year ended December 31, 2023), was maintained in the audit report for the financial year ended on December 31, 2023 due to the impact on comparative figures, i.e. the impact on the figures for the financial year ending December 31, 2022.

The auditors' opinion on the individual financial statements of the Issuer and in 2022 and 2023 is unqualified.

2.2. Where financial auditors have resigned, been dismissed or have not been re-appointed during the period covered by the historical financial information, detailed information on these statements shall be provided, if such information is significant.

At the General Meeting of Shareholders on October 30, 2023, also taking into account the expiry of the previous audit contract, the shareholders voted to revoke the previous auditor and appoint the new auditor, as per article 2.1 above.

Section 3: Risk factors

A description of the significant risks that are specific to the issuer, in a limited number of categories, in a section titled "Risk factors". In each category the most material risks, in the assessment of the issuer, offeror or person asking for admission to trading on a regulated market, taking into account the negative impact on the issuer and the probability of their occurrence, shall be set out first. The risk factors shall be corroborated by the content of the registration document.

Investors are reminded that investing in Bittnet shares or bonds involves certain risks, some of which are listed below.

Risks relating to the Issuer's business and the industry in which it operates:

The risk associated with achieving the business development plan

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

Risk associated with M&A transactions

Most studies and articles on the subject of M&A (mergers and acquisitions of other companies/businesses) show a statistic that holds no promise for acquiring companies: M&A processes overwhelmingly destroy value for both companies (especially the acquirers). This element takes on an even more negative dimension when, in acquisitions, companies pay with shares in the acquiring company, as is the case with our group. There is a significant risk that the processes we run will have the same negative long-term consequences. Management tries to build each investment with a high margin of safety and to align the interests of the participants through payment formulas and mechanisms. But there is no guarantee that we will be able to continue to identify such solutions, and that future M&A processes will be profitable for our group.

The risk associated with making the financial forecasts

The Company's financial forecasts are based on the assumption of successfully implementing the growth strategy based on existing resources and business units. However, there is a risk associated with making the financial forecasts. The forecasts have been created with due diligence, but they are still forecasts. The current data reported in future periodic reports may differ from projected valuesas a result of certain factors that were not predicted in the Company's environment.

This chapter deserves a more detailed discussion. The company submits every year to the shareholders' approval a Revenue and Expenditure Budget. The management builds this BVC using a "bottom-up" approach - starting from evaluations of ongoing projects (sales pipeline available at the time of BVC production), sales statistics from previous years, marketing actions and sales already committed/planned and sales targets assumed by each member of the sales team. In other words, the BVC is built prudently.

On the other hand, what we pursue and measure in relation to the sales team and any partner is the GROSS commercial MARGIN and not the amount of sales. Therefore, every year, when the BVC is published, the management must answer the question "if we have a reasonable confidence that we will be able to generate 100 lei of gross margin, from how many lei of sales will we obtain this margin?". It should be taken into consideration that sales achievements are measured and estimated EXCLUSIVELY depending on the volume of the generated gross margin. In other words, the 100 Euro margin generated from sales of courses in the amount of 200 Euro is just as valuable to the company and is therefore rewarded in the same way with the 100 Euro margin generated from sales of communications solutions in the amount of 500 Euro.

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

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

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

Personnel risk/delivery capacity

The Company's success depends to some extent on its ability to continue to attract, keep and motivate the qualified personnel. The Bittnet Group's business relies on highly qualified and highly paid engineers, who are in short supply and can receive offers from competitors. If the Company fails to optimally manage the personnel needs, this may have a significant material adverse effect on the business, financial conditions, results of operations or prospects. The company offers attractive compensation packages and dynamic career development paths to attract, retain and motivate experienced and high potential staff. This risk continues to be one of the most important risks 'threatening' our company and, consequently, management will continue to attach particular importance to this issue.

In 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 the GMS approved a share-based incentive plan for key individuals, with the aim of better aligning their interests with the long-term interests of the Company. On the other hand, given the overheating of the labour market and the increased entry into the workforce of the "Millenials" generation, we believe that this risk - related to the ability to deliver on promises to customers - is a significant one for the company, accompanied by the continued increase in the financial demands of team members and collaborators (a continued increase in fixed costs).

Perhaps the biggest risk here, however, is the company's shareholders, whose continued vote is needed to keep the long-term incentive plans in place. Although these plans have always been constructed in such a way as to reward employees only and only if shareholders have made money during the period under review, at the point when the debt to key individuals is settled, messages of dissatisfaction appear from some shareholders, complaining that 'employees get cheaper shares', or that 'this gives them a chance to sell into the market and make a profit'.

This approach is, in our view, the biggest risk to society in the field of human resources. If we can no longer continue to use attraction and retention methods based on what makes us special - listing, and the mechanisms for sharing the value thus generated, the only alternative will be to enter into a global struggle for human resources, with nothing to offer but money.

Legislative/regulatory risk

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

Given that the legislation leaves more and more to the discretion of the tax authorities the interpretation of how to apply the tax rules, in conjunction with the lack of funds in the state budget and the attempt by any means to bring these funds, we consider this a major risk for the company, because it can in no way be addressed preventively, in a real and constructive way.

Risk of business commoditisation - loss of technological relevance of solutions

A special case related to the rapid evolution of the IT industry is the tendency of each technology to become “commodity” (very widespread, very widely adopted) and to be very well understood by customers. In such a business environment, the added value of the "resellers” companies is very low, so such a scenario leads to the decrease of the commercial margins for the business lines that are affected by commoditization. All technologies face this risk as their adoption increases. The most telling example is the Microsoft licensing business, where most projects are billed to customers at very low commercial margins: 0-2%. As other technologies acquire the same dissemination and adoption, their resale also becomes unprofitable.

The company aims to position itself as a value consultant, not as a “commodity” type “boxes” reseller. Following technological trends and positioning as a 'first mover' helps the company to offer added value through the services provided (consulting, building technical solutions, installation and implementation, optimizations, maintenance).

Risk of unfair competition

Commoditized businesses with small margins are prone to unfair competition, in particular through dumping prices. In particular, in Dendrio's business this risk materialises when competitors often offer customers sales prices substantially below the purchase price of those licences. This type of business approach is very difficult and expensive to demonstrate, but it can cause damage to the Issuer by losing some contracts or reducing profitability. The issuer has not identified any solution to prevent this risk. The issuer aims to address new customer types, as well as customers for whom the added value of the solutions is not represented by price reductions, but by the functionality of the solutions offered. The more widespread and adopted the business line is, the added value that can be offered by an integration partner decreases.

The issuer is in constant competition with other participants on the IT market, competition that is expected to intensify. High competition can encourage current as well as potential customers to use the services and products of the Issuer's competitors and thus negatively affect the Issuer's revenues and profitability. Strong competition may result in increased pressure on the Issuer in relation to the prices of products and services offered to customers, which may have a significant impact on the ability of the Issuer to increase or maintain its profitability. The Issuer's competitiveness in the current competitive environment depends to a large extent on its ability to adapt rapidly to new market developments and trends. To the extent that the Issuer will not be able to compete effectively with its competitors, whether local or international, this may have a negative effect on the business, financial condition, results of operations and prospects of the Issuer.

Risk of loss of reputation

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

Although the Issuer makes every effort to comply with applicable regulations and to enhance positive customer and potential customer perceptions of its services, negative publicity and negative public opinion could affect the Issuer's ability to retain and attract customers.

Litigation risk

Throughout the years the companies of the Bittnet Group have fulfilled their contractual obligations and have therefore not been sued by their contractual partners. As the group expands, and more companies join the group, it is possible that their partners will consider that the new financial position of these group members has become more relevant to be sued.

During 2021, as mandated by the GMS in November 2020, Bittnet requested Anchor Grup - the owner of the office building in Bd. Timișoara no. 26 expansion of office space, under the same contractual conditions, to accommodate new workspace regulations (distance between people in the context of the pandemic crisis), but also with the team to be expanded as a result of M&A transactions. Taking into account that the offer received from Anchor Group was considered non-compliant, we notified them of the application of the 'break-up' clause in the contract, and according to the mandate given by the GMS to the CEO during the meeting of 26.11.2020, Bittnet Group negotiated with the present suppliers in the market an optimal solution with long-term development plans. Following negotiations with various representatives, a new lease agreement was signed with ONE United Properties for a space in the ONE Cotroceni Park (OCP) building, for a period of 5 years with a start date of 01.02.2022. The previous lease agreement with Bucuresti Mall Development and Management SRL was unilaterally terminated by Bittnet Systems as of 31.05.2021.

During 2021, the Group became aware of the existence of case 30598/3/2021 on the Bucharest Court's docket, against the owner of the former office space - București Mall Development and Management S.R.L. The court ruled on 04.08.2023, the solution in brief: "Admit in part the application as specified. Orders the defendant to pay the applicant the sum of RON 102 627,51 by way of late payment penalties. Dismisses the other claims as unfounded. It orders the parties to bear their own costs in part and, accordingly, orders the defendant to pay to the plaintiff the sum of EUR 3,203.92 as court costs. Appeal within 30 days of service. The appeal shall be lodged with the Bucharest Court - Civil Division VI. As of the date of this report, the judgment has not been communicated to the parties. Accordingly, the Group has recorded a provision of RON 105,831.42 in the financial statements as at 31.12.2023.

The litigation situation is detailed in the notes to the consolidated financial statements in Note 28 - "Contingent liabilities".

Credit risk

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

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

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

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

The automated IT systems alert both the sales team and managers to outstanding customers, which are "tracked" by the sales team for 1 month, so that we prioritize maintaining a good business relationship. Instead, after 1 month of unsuccessful efforts, they move on to involving an
experienced lawyer (and positive track record) in debt recovery.

Counterparty risk

Failure by third parties to perform their obligations towards the Issuer, including in connection with the implementation of certain investment projects envisaged by the Issuer or the risk of insolvency in relation thereto may affect the fulfilment of the Issuer's business objectives or its activity or financial situation and, implicitly, its ability to perform its obligations in relation to the Bonds.

A case in point is the situation where companies in the Issuer's group participate in public procurement procedures and suppliers do not fulfil their obligations. This scenario may result in the issuance of a "negative certificate"
in the name of the company that participated in the public tender procedure, which would mean
future exclusion from other procedures, thus eliminating a potential to generate revenue.

Risk associated with interest rates

The company is exposed to the risk of increasing the interest rate, having contracted loans and loans. Any increase in the interest rate will be reflected in the increase in financial costs. The company regularly monitors the market situation to predict the risk associated with the interest rate and liaises with as many credit institutions as possible in order to ensure an "arbitrage" between their offers. Bank financing has fully variable interest rates, such as "ROBOR + a fixed margin", which further exposes us to the risk of interest rate fluctuations. At present, Bittnet Group companies have contracted various types of loan products from Banca Transilvania, ProCredit Bank, BRD, Unicredit Bank, Raiffeisen, OTP Bank.

During 2023, 3 bond issues of the Issuer matured, all fully repaid at maturity according to the schedule communicated at the time of listing (BNET23C, BNET23 and BNET23A).

During 2022 the Issuer has carried out a bond issue, denominated in euro, at a cost of more than 10% - higher than the cost of previously issued bonds.

In the first half of 2023, the issuer made a public offering of corporate bonds raising committed funding of RON 5,000,000 (trading symbol BSE: BNET27A) , with a fixed interest rate of 10% per annum payable quarterly and maturing in June 2027. In December 2023 the issuer carried out a new public offering of corporate bonds raising from BSE investors the amount of RON 10,000,000 (trading symbol BSE: BNET28) at an interest rate of 9.6% per annum and a maturity of 4.5 years.

At the time of writing, the issuer is still in the process of completing a new bond issue through a public offering.

Risk associated with the qualified audit opinion on the 2022 financial statements

The Company has prepared and presented the interim (quarterly, semi-annual) and final 2022 financial statements in accordance with the accounting policies described in the Notes to the 2022 Financial Statements. Note 07 to the 2022 Financial Statements discloses the revenue recognition policy in accordance with IFRS 15

("Income from Contracts with Customers"), paragraphs on Agent or Principal status. The same accounting policies were used to present the 2021 and 2020 financial statements, approved "unqualified" by the same auditor.

Although the provisions of IFRS 15 have not changed in 2022, the Group has nevertheless re-examined its revenue recognition accounting policy, taking into account the agenda decision provided by the IFRS Interpretation and Maintenance Committee ("IFRIC - IFRS Interpretation Committee") in May 2022 regarding software resellers. Thus, in the light of the new guidance, the Group has identified 5 categories of software licenses traded in the period 2021-2022 - Autodesk licenses, Adobe licenses, Axigen licenses, AutoCAD licenses and Corel licenses - which represent resales of standard software licenses, in that in these cases the Group does not sell the rights associated with these software licenses in combination with its own value-added services, but only intermediates their sale from manufacturers/distributors to end customers. As such, the Group has decided to amend the revenue recognition policy for the above mentioned categories of standard software licenses resold on a one-off basis (i.e. not combined with own value-added services), considering that in these cases it acts as Agent. Revenues from the resale of such standard software licenses were recognized on a “net” basis, i.e. the resulting gross margin was fully recognized as revenue, with zero cost of sales.

However, in the case of the 2022 annual consolidated financial statements, the auditor expressed a qualified opinion, considering that there were indications that the Group would not act entirely as a Principal but also as an Agent in relation to some customers or some deliveries. If other auditors express the same opinion, the Issuer will have to change the presentation of the financial statements in terms of revenues and direct expenses related to the IT&C integration activity. Profit, equity, assets and liabilities are identical between the methods of presentation proposed by management and auditors, but turnover may be significantly lower when treating our quality as "Agents". The auditor could not estimate the amount of additional correction (i.e. over and above that already applied by Management) required on turnover. In the maximum case where we completely remove all direct costs from turnover - if we consider that we are Agents in all deliveries to all customers - the indicator "IFRS Turnover" would be RON 42.7 million for the year 2022 and RON 23.4 million for 2021, values equal to the amounts currently shown as gross margin.

Risks specific to financial instruments:

Risk associated with a direct investment in shares

Investors should be aware of the risk associated with a direct investment in shares or bonds, which is much higher than that associated with an investment in government securities or investment fund units, mainly because of the volatility and unpredictable evolution of both the instrument and the issuing company's business, their prices, both short and long term, and their liquidity once listed on the main market of the Bucharest Stock Exchange. The price of stocks and bonds and the liquidity of transactions depend on the number and size of buy and sell orders placed by investors. There can be no guarantee of price and no guarantee of liquidity without a market maker. There can be no guarantee that an investor who buys financial instruments issued by the Company will be able to sell them at any time at a satisfactory price.

Section 4: Information on the Issuer

4.1. The legal and commercial name of the issuer:

BITTNET SYSTEMS S.A.

4.2. The place of registration of the issuer, its registration number and legal entity identifier (LEI).

The issuer is registered as a commercial company with the Trade Register of the Bucharest Court under number J40/3752/2007, sole registration code: 21181848, RON Code: 315700VUUQHM9VEDRO36

4.3. The date of incorporation and the length of life of the issuer, except where the period is indefinite.

The Issuer's incorporation date is 22.02.2007.

4.4. The registered office and legal form of the issuer, the law under which the issuer operates, country of registration, address, telephone number of the registered office (or principal place of business if different from the registered office) and website of the issuer, if any, together with a disclaimer that the information on the website does not form part of the document unless such information is incorporated by reference into the document.

The issuer is a joint stock company duly incorporated and validly operating under the laws of Romania, with its registered office in Bucharest, Sector 5, Str. Serg. Ion Nuțu, no. 44, One Cotroceni Park, Corp A and Corp B, Etaj 4, registered with the Trade Register attached to the Bucharest Court with number J40/3752/2007, sole registration code: 21181848. The issuer's office is located in Bucharest, Sector 5, Str. Serg. Ion Nuțu, no. 44, One Cotroceni Park, Corp A and Corp B, Etaj 4, 050691 Telephone: (+40 21) 527 16 00 Fax: (+40 21) 527 16 98. Issuer's website: www.bittnet.ro and https://investors.bittnet.ro

The issuer declares that the information on the website does not form part of the document unless such information is incorporated by reference into the document.

Section 5: Overview of activities

5.1. Main activities

5.1.1. A description of the nature of the issuer's operations and principal activities, including their key factors, with an indication of the main categories of products sold and/or services provided in each financial year during the period covered by the historical financial information;

The issuer operates in the Information Technology market, with the Network Infrastructure, Cyber Security, IT Training and ERP product implementation segments accounting for the largest share of consolidated turnover.

In 2017 the first M&A transaction took place through the full acquisition of GecadNET SRL (now Dendrio Solutions) , followed in 2018 by the joining of Elian Solutions SRL (through a direct investment in the acquisition of 51.02%) Equatorial Gaming SA (through the acquisition of 99%) and the completion in December 2018 of negotiations for the transfer of the IT integration business from Crescendo International to Dendrio Solutions.

As of 2021, the Issuer has diversified its IT services area through M&A (mergers and acquisitions of new companies) investments in the cybersecurity area by acquiring majority stakes in Fort SA (formerly: Global Resolutions Experts) and ISEC Associates, creating a hub of cybersecurity expertise within the Group's technology division. The Issuer also expanded its investments in the software development area in 2021 by acquiring a 61% stake in Nenos Software and 60% in Nonlinear SRL. Along with the 2 areas - cyber security and software development - the Issuer also completed in 2021 the acquisition of a 50.2% stake in the IT managed services company - ITPrepared SRL (since renamed: Optimizor). Also in 2021, the issuer bought 100% of the shares of an IT education competitor: Computer Learning Center SRL – focused on cyber security training.

In H2 2022 the Issuer completed the 2 M&A transactions involving the acquisition of TopTech SRL and 2NET Computer SRL two IT products and solutions integration companies in the Transylvania region.

During 2023, the Group moved away from the two-division organisation (Education and Technology) to a four-pillar group structure (business units): Digital Infrastructure, Education, Cybersecurity, Platforms/Business Applications & software.

In 2023 the Bittnet Group fully acquired Dataware Consulting in the Digital Infrastructure pillar and Kepler Management Systems in the Platforms& software pillar.

The Bittnet Group currently comprises 16 companies, divided into 9 business brands and organised into four business units from 2023 onwards:

- Digital Infrastructure (Cloud & Infrastructure), which is focused on IT integration services and solutions for IT infrastructures. This business has a shared portfolio of products, services and solutions and an expanded team that allows for a greater workload, both from a technical and sales perspective. This business unit provides complex IT solutions to corporate, large corporate, enterprise and public sector customers across the country and abroad (especially in the EEC and USA). Solutions range from physical communications infrastructure, perimeter security, video systems, digital signage, computing and printing systems to the design and implementation of complex data centre/hybrid or cloud IT architectures, enterprise networking, cyber security platforms and the implementation of related software platforms, including collaboration platforms (modern workplace). The services offered are both in classic (project-based) and managed services modes, with managed services being delivered mainly to customers in mature markets, Europe and the United States

- Education. This pillar consists of the IT training segment, organised under the Bittnet Training brand which is the market leader as well as the softskills/humanskills training area. This business unit provides training to adults in two areas: IT/Technical Skills and Human Skills in both traditional, face-to-face, Virtual Remote and instructor-led or eLearning formats. The trainings provided allow experts access to technology by teaching IT skills, starting from basic skills (e.g: Microsoft Office Suite) to the most advanced ones (Cloud, DevOps, Cybersecurity). The business training portfolio includes project management, IT services management, business intelligence, CRM, ERP, Agile, etc.
- Cybersecurity: provides cybersecurity services to corporate, large corporate, enterprise and public sector clients across the country and abroad.
- Platforms/Business Applications & software: companies in this pillar focus on 2 activities: implementation, development and support of the Microsoft Dynamics 365 Business Central ERP (enterprise resource planning) solution through which customers coordinate their entire operational and financial business flow; and custom software development solutions with a focus on Artificial Intelligence and Machine Learning (AI/ML).

We detail the activities of the group companies within the four pillars as follows:

Digital Infrastructure:

- Dendrio Solutions SRL (SRC 11973883), owned 88% by Bittnet Systems and led by Iulian Zamfir, is the only multi-cloud integrator in Romania, partner certified to the highest standards by Cisco, Microsoft, Google, Amazon Web Services, and many other vendors, is the company that brings together IT&C integration activities from Bittnet, Gecad Net and Crescendo.
- Dataware Consulting SRL (SRC 27895927) – is 71.13% owned by Dendrio Solutions and 28.87% by Bittnet Systems. Dataware implements technology solutions such as data networking, block & file storage, storage area network, disaster recovery and business continuity solutions, forensic software and security solutions. The company has partnerships with leading manufacturers such as Fujitsu, Cisco, Brocade and M-Files. Dataware offers clients IT services from consulting, analysis and design to implementation, support and testing, especially for complex projects.
- Top Tech SRL (SRC 2114184) 40% owned by Bittnet Systems and 46% by Dendrio Solutions, is managed by Dragoș Groza and is a company with a 30-year history, which integrates IT infrastructures (communications, data processing, physical security systems) from vendors such as Dell, HP, Xerox or Microsoft, with a regional presence, having 6 branches in Transylvania and Banat and a team of over 80 specialists.
- 2NET Computer SRL (SRC 8586712) wholly owned by Dendrio Solutions - is a company specialized in equipment sales and implementation of IT infrastructure solutions with regional presence in Brasov and Covasna counties (thus contributing to the national presence of the group)
- Optimizor – IT Prepared SRL (SRC 35456175), 50.2% owned by Bittnet Systems and led by Alexandru Ana, is an entrepreneurial managed services company founded in 2016, providing IT support services primarily to the US market. Optimizor's client portfolio is primarily based on US companies, but also includes a number of local customers

As in previous years, the Digital Infrastructure (Cloud & Infrastructure) business unit saw the highest growth in 2023, helped by joining Dataware from June 2023. This business pillar generates 86% of the group's consolidated revenues.

Education:

- **Technical Skills**
  - Bittnet Systems SA (SRC 21181848): the parent company of the group, listed on the Regulated Market of the Bucharest Stock Exchange. It runs the holding activity for the entire group of companies plus the IT Training activity, being the undisputed leader of this market in Romania.
  - Computer Learning Center SRL (SRC 26065887), wholly owned by Bittnet Systems, is an IT training company with a focus on cybersecurity, founded in 2009, with a long history of serving corporate clients.
- **Human Skills/ Soft Skills**
  - Equatorial Gaming SA (SRC 30582237), currently 99% owned by Bittnet Systems, is a game-based learning company that provides softskills training for the IT industry in both classic and gamified form. It owns 100% of Equatorial Training with similar business.
  - The eLearning Company SA (SRC 30760571), 23% owned by Bittnet Systems, is an entrepreneurial company offering eLearning courses for companies It does not fall within the scope of financial consolidation except under minority interests given the group's ownership percentage.

Cybersecurity (Cybersecurity):

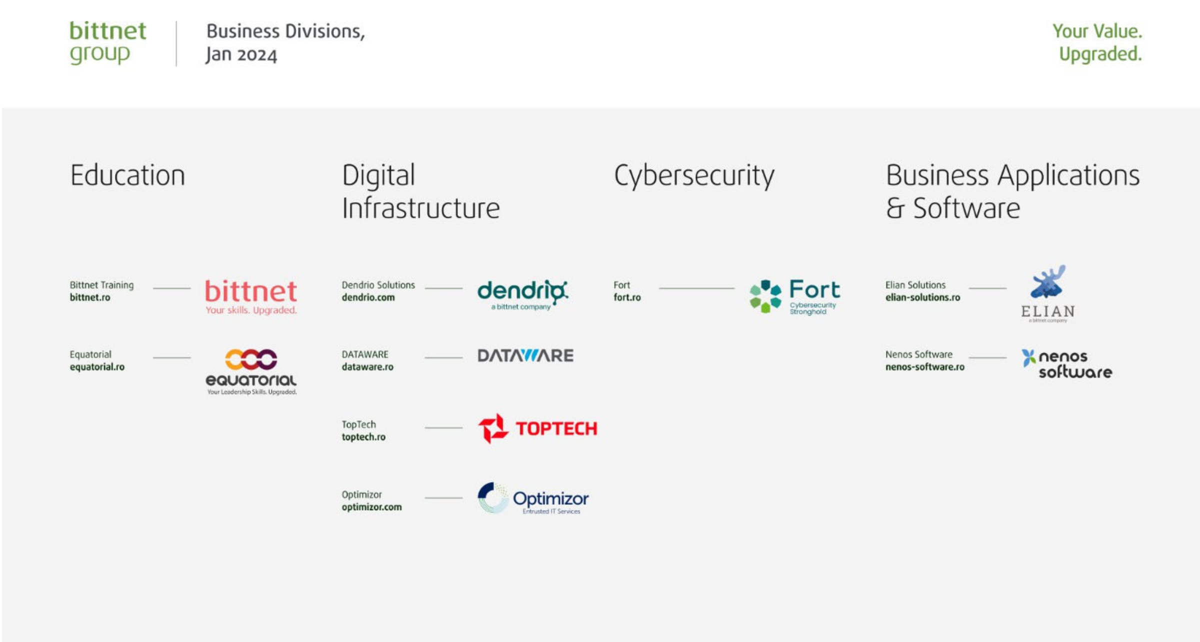
- **CyberSecurity**
  - FORT S.A. (formerly Global Resolution Experts S.A.) (SRC 34836770), 58.86% owned by Bittnet, is a cybersecurity professional services company providing penetration testing, design, implementation and maintenance of cybersecurity solutions.
  - GRX Advisory SRL (SRC 43813325) wholly owned by FORT S.A., provides professional services in the area of cybersecurity, offering penetration testing as well as design, implementation and maintenance of cybersecurity solutions
  - ISEC Associates SRL (SRC: 23037351), wholly owned by FORT S.A., is a professional services company in the area of cybersecurity, offering auditing, consulting and penetration testing services (classical and managed services). The company holds numerous certifications (FSA, BNR, CISA, CISM, CEH, CISSP, OSCP, CDPSE, ISO 27701, etc).

Platforms/Business Applications & software:

- **Business solutions (ERP)**
  - Elian Solutions SRL (SRC: 23037351), led by Iulian Motoi, is a company founded in 2008 and 51% owned by Bittnet Systems SA. It is a Microsoft Gold Certified Partner for ERP solutions.
  - Kepler Management Systems SRL (SRC: 21562125) is a company similar in scope and business to Elian, which joined the Bittnet Group in Q3 last year. It is 75.8% owned by Elian and 24.2% by Bittnet Systems. During 2024, Kepler is to merge through absorption into Elian, resulting in one of the largest ERP solution implementers in the country.

- **Software development**
  - Nenos Software SRL (SRC 29612482), founded and led by Toader Toporău, is a 61% owned company by Bittnet (the rest by the founder) is a custom software development company with a focus on Artificial Intelligence and Machine Learning (AI/ML).
  - Nonlinear SRL (SRC 37758005) is a SPV set up to access European funding, 60% owned by Bittnet and managed by Mr. Toporău. The activity is product-based software development, focused on the development of a platform for digitizing and automating processes in small and medium-sized companies using low code/no code and machine learning technologies.

The group currently has over 400 employees and collaborators, working for one of the companies in the consolidation perimeter (holdings above 50% of the share capital and voting rights). The Group is made up of 16 companies organised under 9 brands and 4 business units.



5.1.2. Indicate all significant new products and/or services launched on the market and, to the extent that the development of new products or services has been made public, their stage of development.

The issuer continuously develops products and services in each of its business lines in line with customer requirements. This is "regular business" and does not represent significant efforts, significant resources allocated, but only attention decision on customer needs.

5.2. Principal markets

A description of the principal markets in which the issuer competes, including a breakdown of total revenues by business segment and geographic market, for each financial year in the period covered by the historical financial information.

The group is mainly active in the IT&C integration services market (consultancy services and trade in technology solutions) and in the adult education market, especially with a focus on IT training. The revenue split between the two business areas is strongly influenced by the larger size of the IT&C market versus the IT education market, given that the latter on the one hand is populated by more customers, larger budgets, and on the other hand also contains trade in goods representing technology solutions (hardware and software), not just the proprietary services provided by market players. Historically, the revenue split between the two divisions of the group is the following:

*YEAR	2018	2019	2020	2021	2022	2023
IT&C integration	83%	87%	88%	87%	90%	86%
Cybersec, training, erp & software	17%	13%	12%	13%	10%	14%

*an annual breakdown of income.

The main market for the products and services offered by the companies in the Bittnet group was in 2023, as in previous years, the Romanian market. Exports account for less than 10% of total turnover. Even so, as of 2023 the Bittnet Group has delivered projects in 29 countries in the European Union, the United Kingdom, Singapore, the Republic of Moldova, Israel and the United States. The revenue from sales to international customers amounted to RON 24.6 million last year, an effort that will continue in 2024.

Market share

Due to the lack of independent reports on the IT training market in Romania, the Company relies on its own estimates of its market share. The company has the most extensive and in-depth coverage of the training market, with unique expert-level human resources. Bittnet positions itself as a market leader in the area of IT training, justifying this by the following:

Focusing on the IT&C (IT professional services) integration market - the wide range of services offered by Bittnet group companies makes it impossible to determine the percentage of market share held. According to the independent study "Software and IT Services in Romania" conducted by Pierre Audoin Consultants at the request of ANIS - Employers' Association of the Software and Services Industry, the Romanian IT market had a value of EUR 3.08 billion in 2015 (21% more than in 2014), which is estimated in the study for 2016 at EUR 3.6 billion (an increase of 17% compared to 2015):

Based on the estimate of the total IT market, the market share in the area of IT solutions integration (hardware, software and services) is insignificant, amounting to less than 1% of the market.

However, it must be borne in mind in this market analysis that the estimates for the total IT market also include the purchase of PC equipment, mobile phones, tablets, printers, etc., both by the population and by companies.

Analysing the company's competitive position, this should be broken down by business lines. Thus, Bittnet positions itself as a market leader in the area of IT training, justifying this by the following:

- Active in most segments of the IT training market (vendors, technologies, level of depth, national coverage, etc.);
- It does not compete with the same competitors in more than 2 market segments, being either the market leader or the second largest supplier in each market segment. For example:
  - for Oracle official trainings, there are 3 authorized suppliers for Romania (Bittnet, Eta2U, Jademy)
  - For official Microsoft trainings there are 5-6 authorized providers

  There are market segments for which Bittnet has no competitors (e.g.: Amazon Web Services, Cisco, Citrix,
- etc).

The addition of Equatorial Gaming and The eLearning Company to this landscape enhances the competitive position of our group, essentially having a broader product offering for our customers.

Focusing on the integration market (IT professional services), the wide range of services offered by companies in the Digital Infrastructure pillar makes it impossible to determine the percentage of market share held. In the IT solutions integration market there are hundreds of competitors of various sizes, focused on market niches, customer segments, technologies, etc.

Within the activities of the Digital Infrastructure business unit, the competitive landscape is highly fragmented, with no significant concentration on business segments. We claim that Dendrio is the first provider of multi-cloud solutions in Romania (integrating both Amazon Web Services and Microsoft Azure and Google Apps offerings) - a very advantageous competitive position that aims to leverage the same 'value proposition' for customers as the highly valued training business: "one stop shop" for IT infrastructure (cloud) needs.

5.3. Important events in the development of the issuer's activities

Digital Infrastructure (Cloud & Infrastructure)

This pillar contains 5 companies offering complex IT solutions to corporate, large corporate, enterprise and public sector customers across the country and abroad (mainly CEE and USA).

The solutions offered start from physical communications infrastructure, 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 centre/hybrid or cloud, enterprise networking, cyber security platforms and the implementation of related software platforms, including collaboration platforms (modern workplace).

The services provided are both project-based and managed services, with managed services being delivered mainly to clients in mature markets, Europe and the United States. The companies that are part of this pillar today are:

- Dendrio Solutions SRL (SRC 11973883), owned 88% by Bittnet Systems and managed by Iulian Zamfir, is the only multi-cloud integrator in Romania, partner certified to the highest standards by Cisco, Microsoft, Google, Amazon Web Services, and many other vendors, is the company that brings together IT&C integration activities from Bittnet, Gecad Net and Crescendo.

Dataware Consulting SRL (SRC 27895927) – is owned 71.13% by Dendrio Solutions and 28.87% by Bittnet Systems. Dataware implements technology solutions such as data networking, block & file storage, storage area network, disaster recovery and business continuity solutions, forensic software and security solutions. The company has partnerships with major manufacturers in the industry such as Fujitsu, Cisco, Brocade and M-Files. Dataware offers clients IT services from consulting, analysis and design to implementation, support and testing, especially for complex projects.

-

- Top Tech SRL (SRC 2114184), 40% owned by Bittnet Systems and 46% by Dendrio Solutions, is managed by Dragoș Groza, is a company with a 30-year history, which integrates IT infrastructures (communications, data processing, physical security systems) from vendors such as Dell, HP, Xerox or Microsoft, with a regional presence, having 6 branches in Transylvania and Banat and a team of over 86 specialists.
- 2Net Computer SRL (SRC 8586712), wholly owned by Dendrio Solutions - is a company specialized in equipment sales and implementation of IT infrastructure solutions with regional presence, having presence in Brasov and Covasna counties (thus contributing to the national presence of the group).
- Optimizor – formerly IT Prepared SRL (SRC 35456175), 50.2% owned by Bittnet Systems and led by Alexandru Ana, is an entrepreneurial managed services company founded in 2016, providing IT support services primarily to the US market. Customer portfolio Optimizor relies primarily on American companies, but also contains a number of local customers.

As in previous years, the Digital Infrastructure (Cloud & Infrastructure) business unit recorded the highest growth, helped by the addition of Dataware from June 2023. This business pillar generates 86% of the group's consolidated revenues: RON 323 million (+131% vs 2022). The gross margin generated also had a positive dynamic due, in particular, to the focus of the companies in this unit on the provision of integration services (which grew faster than the delivery of goods) from RON 21 million in 2022 to RON 57 million at the end of 2023 (165% increase). Profitability of the cluster is much improved by 2023,

proving that the decisions taken in the period 2022-2023 are starting to produce the desired effects. Opreational profit of this business unit rising to RON 16 million (+469% vs 2022).

Digital Infrastructure	31.Dec.2023	31.Dec.2022	FY23 vs FY22
Income from contracts with customers	323.159.041	139.734.218	131,2%
Service provision	57.519.297	21.662.555	165,5%
Sale of goods	265.639.744	118.071.663	124,9%
Sales cost	(273.751.861)	(117.982.829)	132,0%
Goods/materials	(236.849.695)	(100.600.098)	135,4%
Cloud services	(5.218.714)	(5.261.210)	-0,8%
Man-hours	(31.683.452)	(12.121.521)	161,3%
Gross margin	49.407.180	21.751.388	127,1%
Other income	1.509.928	371.831	306,0%
Selling/distribution costs	(11.343.858)	(7.915.751)	43,3%
Man-hours	(10.081.159)	(6.909.587)	45,9%
Advertisement	(1.262.699)	(1.006.163)	25,5%
Administrative expenditure (of which)	(23.533.786)	(11.383.652)	106,7%
Man-hours	(9.560.708)	(5.368.679)	78,08%
Depreciation	(5.721.166)	(1.864.777)	206,8%
Other third-party services	(3.350.371)	(2.005.387)	67,07%
Miscellaneous	(606.299)	(628.758)	-3,5%
Operational profit (no one-offs)	16.039.465	2.823.817	468,01%

In the case of Dendrio Solutions 2023 was a year of rebuilding, consolidation at operational level both in terms of processes and teams. The focus has been on streamlining resources and administrative expenditure, while stepping up efforts to win new projects with a service component from large clients.

Dendrio's individual turnover was RON 89 million (-13% compared to 2022), while net profit was still in the negative zone: RON -4.9 million. This result was also influenced by significant financial expenses (about RON 4.3 million), mainly interest related to acquisitions of new companies, in M&A transactions in the last 2 years. The situation is not ideal, but looking forward, we see how the investment products contracted by Dendrio for M&A transactions over the last 2 years have contributed significantly to the strengthening of the Digital Infrastructure pillar and have led to positive results at the level of this business unit (pillar) in 2023.

In 2023 Dendrio had 469 unique customers (7.8% more than in 2022) and 2,816 implemented projects (5.75% more than in 2022). We had 23 customers with whom we implemented during 2023 projects of more than RON 1 million/customer. The structure of customers last year was as follows: 68.69% enterprise customers, 27.76% corporate customers and 3.44% SMB customers (small and medium-sized business). This distribution confirms the strategy set at the beginning of 2023, focusing on large customers with complex projects that can leverage the skills of the experts in the technical team. In 2023, we signed 2 significant framework contracts, running over the next 3 years, and won 2 other significant projects, announced in 2024, which will run from 2024-2025.

Dendrio's plans for 2024 include aligning its structure and processes with the other companies in the Digital Infrastructure cluster. This year, we will focus on complex projects and services that help increase the company's profitability. We also aim to emphasise the integration of competencies at cluster level to offer customers a wider range of services covered by internal resources.

The year 2024 started well for Dendrio, marking the most effervescent start to the year in the company's history. We have signed a significant number of framework contracts, which form the basis of a pipeline/backlog valued at over RON 300 million, for this year and for the coming years. We have already communicated this information to investors and the capital market through our current reports.

Dataware Consulting completed an exceptional year 2023, achieving exponential growth on all important financial indicators: individual turnover of RON 168 million (+140% vs 2022) and a net profit of RON 11.8 million. In 2023 Dataware delivered 114 projects to 48 customers.

Dataware joined the Bittnet Group at the end of May 2023 - through an initial group investment of 70%, and at the end of December the Bittnet Group decided to acquire all of Dataware from the two co-founders. With this acquisition, the Digital Infrastructure cluster companies have entered the next stage of integration. Integration activities at cluster level were started in 2023 and
involve:

- implementation and integration of common ERP system
- integration of workflows at cluster level integration with
- group CRM
- implementation of the centralised project management solution
- implementation and integration of the document management solution.

In 2023, Dataware gained international recognition from technology partners.

- "Partner of the Year" on a regional level at the "Fujitsu Partner Summit 2023" event.
- has been recognized as one of the best integrators for "Fujitsu and VMware" technologies in the CEE region. "Public Sector Partner of the Year, CEE Region" awarded by Pure Storage.
- Other awards: "Silver Partner of the Year 2022, VMware", "Partner of the Year 2022" and "Main Partner for
- the Training Project 2022".

In 2023, we successfully completed projects financed by European funds, thus making significant contributions in key areas:

- We completed the implementation of the project "Innovation through a customized e-learning solution in the IT&C Dunărea de Jos cluster". This project was an opportunity to revolutionise the way teaching and the relationship between students and teachers are perceived and managed.
- We also completed the implementation of the ElectricUP project, through which we developed a photovoltaic panel system. This system, providing about 30 kW of green energy, has been integrated into the Digital HUB in Galati,
  highlighting our ongoing commitment to sustainable and responsible development.

The priority for the current year remains to increase profitability by implementing projects in the high-tech Enterprise area, in the digital transformation area and in the cyber security area, increasing the portfolio with niche technologies in the biometrics area as well as strengthening partnerships with global technology providers.

In terms of organization, we want to expand nationally, create a working point in Iasi and develop the working point in Galati. This also highlights the need to develop the technical teams, as Dataware plans to hire 10 people, both in the new locations and in Bucharest.

Also as a goal for 2024 we want to sow the "seeds" of expanding the services and solutions offered by the technology cluster outside the country, thus becoming a regional player with the objective that by the end of 2028, at the end of the current Bittnet Board mandate, this goal will be a certainty and we will have revenues from these new areas.

TopTech ends 2023 with a turnover of RON 87.4 million, up 20% on the previous year. However, the company reported a net loss of RON 1.23 million, compared to a profit of RON 655 thousand in 2022. For 2024, TopTech's main goal is to return to positive territory in terms of net profitability.

In 2023, TopTech completed two major data centre refurbishment projects for higher education institutions in the Transylvania region, won through public tenders, with a total value of over RON 15 million. The number of unique customers billed during the year was 1,863, of which 115 were new customers.

The company continued to support projects to digitise the education system in Romania, delivering solutions in 43 schools, 29 high schools and 15 national colleges, totalling 93 projects. The projects were implemented in 26 counties across the country.

TopTech was recognized in late 2023 with Titanium Partner status from international technology vendor DELL, the highest level of partnership.

The company has managed to maintain a strong core with 90% colleague retention. To increase efficiency we have reorganised and refocused the technical teams into two main departments: IT network infrastructure and technical services, including IT maintenance and management of MPS printing services.

In 2023, TopTech was honoured to be ranked 3rd in the Top Employers ranking in the prestigious Top Employers event organised by the specialist portal undelucram.ro. This award is recognition of our commitment to the team and the value we bring to our colleagues.

For 2024, TopTech management's main objective is to return to net profit. To this end, our priority is focused on the delivery of service-oriented projects, with a particular emphasis on 40% growth in the sale of implementation services. Also, as of Q4 2023, we have publicly announced that the 2NET Computer team becomes TopTech's 7th geographical point in the Transylvania area, in Brasov and Covasna counties, where we did not have a strong local presence until now.

Optimizor's business is focused on the "managed services" model in conjunction with the delivery of services to foreign markets but also to Romanian companies with regional presence in Europe. The turnover achieved as well as the gross margin were in 2023 similar to those achieved in the previous year: RON 7.4 million figure, RON 3 million gross margin and the gross profit was RON 900 thousand.

During 2023, Optimizor's efforts focused on integrating AI technology into customer workflows. The benefits of this integration in terms of time and cost savings are obvious. However, one issue that caused us to delay the launch of this functionality until 2024 was the depersonalisation of the support process. It is essential for us to maintain quality and commitment to our customers, so we decided to continue our research and work on finding a solution that provides both efficiency and a personalised experience for our customers.

In the Romanian market, Optimizor has seen significant growth, signing 12 new contracts, a 100% increase over the previous year. The year's highlight was the establishment of two collaborations in the banking system, one on a recurring basis and the other on a project basis. These two collaborations total more than €500,000 in annual revenue. It is also notable that, for the first time, a contract signed by Optimizor on the Romanian market exceeded the value of one signed in the US. In the US market, contracts in force remained constant. Given the volatility and unpredictability of this market, we see this stability as a strength of the company.

For 2024 our priority remains delivering a quality and personalised experience for our customers, while benefiting from the efficiencies and savings of AI technology. In addition, we will focus on simplifying and streamlining internal processes while maintaining high standards of quality and service for our customers. By continuing partnerships and strengthening relationships with existing customers, we aim to develop and expand the company's global market presence.

Bittnet education

This business pillar contains 4 companies, offering training to adults in two areas: Technical Skills and Human Skills, both in classic, face-to-face, Virtual Remote but instructor-led or eLearning format. It is about:

- Bittnet Systems SA (SRC 21181848): the parent company of the group, listed on the Regulated Market of the BSE. It runs the holding activity and, in addition, the IT Training activity, being the undisputed leader of this market in Romania.
- Computer Learning Center SRL (SRC 26065887), wholly owned by Bittnet, is an IT training company with a focus on cybersecurity, established in 2009, with a long history of serving corporate clients.
- Equatorial Gaming SA (SRC 30582237), currently 99% owned by Bittnet, is a game-based learning company that provides softskills training for the IT industry in both classic and gamified formats. It owns 100% of Equatorial Training SRL (SRC: 33446345) with a similar field of activity.

The eLearning company SA (SRC 30760571), 23% owned by Bittnet, is an entrepreneurial company offering eLearning courses for companies. ELC is only in the scope of financial consolidation under minority interests

BITTNET Education	31.Dec.23	31.Dec.22	Evolution
Revenues	13.612.094	21.458.950	-36,6%
Sales cost	(7.157.491)	(11.990.148)	-40,3%
Gross margin	6.454.603	9.468.802	-31,8%
Other income	(815.935)	1.611.978	-150,6%
Selling/distribution expenses	(4.712.228)	(4.623.310)	1,9%
Staff expenses	(3.927.761)	(3.803.385	3,3%
Advertisement	(784.467)	(819.925)	-4,3%
Administrative expenses (of which)	(6.095.753)	(6.850.591)	-11%
Staff expenses	(3.190.349)	(1.838.251)	73,6%
Depreciation	(1.698.164)	(1.419.469)	19,6%
Other third-party services	(1.413.580)	(994.715)	42,1%
Miscellaneous	(484.651)	(277.013)	75%
Operational profit (no one-offs)	(5.169.314)	(496.002)	-942,2%

The year 2023 was characterised by slower traction, an extended project completion period and a greater requirement for customisation of training sessions. It was a year in which the IT industry felt cost cuts hard, and the first budgets affected were those for training. Customers kept their budgets tight in the first part of the year, looking more carefully at purchases and investing very cautiously.

In 2023, we served 147 clients and closed opportunities worth RON 13.6 million. We held 460 classes attended by 4,620 learners. Customers continue to express a preference for live, instructor-led deliveries.

Several custom projects have been delivered. 65% of these projects are built on the Bittnet portfolio and 35% are vendor-licensed projects. Custom projects take longer to build and require more effort.

We continued the set of best practices established by the marketing team and had a conversion rate of 1 to 2, meaning that for every EUR 100 spent on digital marketing, we generated and closed projects worth EUR 200. Thus, with a total budget of EUR 80,000 allocated to digital marketing, projects of EUR 170.000 were closed.

In August 2023 we set up the BID & Finance department responsible for building projects in the public sector, pursuing tenders and projects with European funding and setting up strong consortia to tackle massive projects with national delivery. Following the establishment of this new department:

- we have submitted a project with European funding to train 650 IT professionals in 2024 and 2025, for which we are awaiting the funding announcement.
- we won 4 projects totalling EUR 400,000 between August and December 2023 and we built a solid pipeline of projects for 2024.

Through the joint effort of the departments, we applied in June 2023 to the program funded by the Romanian Digitization Authority - "Skills in advanced technologies for SMEs" under the National Recovery and Resilience Plan of Romania 2021 - 2026, pillar II, component C7, investment I19, as a training provider in key areas such as IoT, Blockchain, CyberSecurity, AI & ML, Cloud, RPA, etc. In November 2023 we were announced in the list of selected partners, having the highest technical score. The project has a total value of EUR 36 million, of which EUR 34 million is earmarked for IT training.

In terms of products, we strengthened our cybersecurity portfolio with solutions from CertNexus, Mile2 and Offensive Security. We have also built the foundation for the self-paced underwriting model by building new titles from the sphere of retraining academies. Through access to campaigns funded by the Amazon Web Services vendor, we delivered EUR 140,000 worth of training projects towards the end of the year.

Towards the end of the year we built a plan to implement AI in our organisation, starting with Microsoft solutions, and by 2024 we will execute the development of solutions in our infrastructure so that every department is running on AI. This will allow us to increase delivery and execution capacity and significantly reduce project closure times. In the short and medium term, integrating AI into our daily work will increase our productivity with the same team, and in the long term it will strengthen our market position in Romania and the region.

Cybersecurity - FORT

Currently, this business pillar contains 3 companies providing cybersecurity services to corporate, large corporate, enterprise and public sector customers across the country. The companies that are part of the group are:

- FORT S.A. (formerly Global Resolution Experts S.A.) (SRC 34836770), 58.86% owned by Bittnet, is a cybersecurity professional services company providing penetration testing, design, implementation and maintenance of cybersecurity solutions.
- GRX Advisory S.R.L. (SRC 43813325), wholly owned by FORT S.A., provides professional services in the area of cybersecurity, offering penetration testing as well as design, implementation and maintenance of cybersecurity solutions.
- ISEC Associates S.R.L. (SRC: 23037351), wholly owned by FORT S.A., is a professional services company in the area of cybersecurity, offering auditing, consulting and penetration testing services (classical and managed services). The company holds numerous certifications (FSA, BNR, CISA, CISM, CEH, CISSP, OSCP, CDPSE, ISO 27701, etc).

The year 2023 was for FORT the year in which the company completed the preliminary steps for listing on the Bucharest Stock Exchange. In this regard, a number of 34 new shareholders, individuals and legal entities, have joined us in the FORT shareholding, investing over RON 1.67 million through a private placement. The funds attracted will be used to achieve the ambitious goals the company has set for itself: international expansion in Europe, the United States and Southeast Asia, identifying and capitalizing on opportunities related to M&A transactions as well as expanding recurring revenue-generating collaborations.

During the 12 months under review, a number of changes were made in terms of the portfolio of services that FORT offers to clients, with two new business lines being established:

1) Security Operation Center (SOC). Fort has started the opportunity analysis activities on the implementation of a monitoring and alert service in early 2023. The necessary solutions and the team of specialists who will use them were finalised last summer, and the first contract to provide the services was signed in September.
2) Managed Security Services Provider (MSSP). Fort started a series of collaborations in 2023 based on the implementation of cybersecurity solutions through a monthly subscription, which includes licensing and hardware costs as well as Fort's installation, configuration and administration services. Customers thus receive a solution bundled with the implemented functionalities, while also benefiting from an efficient method of cost distribution.

The company's efforts in artificial intelligence research and innovation were completed with the on-time delivery of the InsureAI project, which makes it possible to automate various business flows in economic areas such as insurance or car rental. At the same time, the project represents a validation of Fort's human and technical resources, which is an important starting point for the application of new technologies in the field of cyber security.

In terms of operational indicators, the following results should be mentioned:

- 68% more deals were generated than in 2022, with a conversion rate of 54%.
- Through lead generation campaigns and other specific marketing activities, more than 80 international companies have been contacted, with partners in Slovenia, the UK, Singapore and Japan.

- 2 new colleagues have joined the sales team, which will ensure an efficient and consistent process in terms of identifying new customers.
- More than 85 web and mobile application security verification projects (penetration tests) have been carried out,

The outlook for 2024 is extremely favourable, thanks to the entry into force of two sets of regulations aimed at increasing the level of IT security maturity (NIS 2 Directive and DORA Directive), both for the financial-banking sector and for key service providers. In this context, we expect cybersecurity to become an increasingly important topic for the Romanian business environment and, implicitly, the demand for the services provided by the company will increase.

At the same time, the strategic development directions for 2024 will be the same as those on which the activities were based in 2023, i.e. expansion into international markets, as well as the promotion, diversification and efficient delivery of the company's services.

From a financial point of view, it should be noted that the financial results of 2023 are impacted by the InsureAI project, with the co-financing of the project representing a cost that reduced the company's profitability last year and in 2022.

Cybersecurity (Fort)	31.Dec.23	31.Dec.22	
Revenues	16.442.991	15.048.523	9,2%
Service provision	11.923.496	11.167.469	6,7%
Sale of goods	4.519.495	3.881.054	16,4%
Sales cost	(13.313.054)	(9.305.767)	43%
Cost of goods sold	(4.311.584)	(3.302.534)	30,5%
Cloud services	-	-	
Man-hours	(7.342.483)	(6.003.233)	22,3%
Other direct costs	1.658.987		
Gross margin	3.129.937	5.742.756	-45,5%
Other income	3.206.771	570.052	462%
Selling/distribution expenses	(810.266)	(339.771)	138,4%
Staff expenses	(453.256)	(332.349)	36,4%
Advertisement	(357.010)	(7.422)	4710,1%
Administrative expenses (of which)	(2.868.088)	(2.130.627)	34.6%
Staff expenses	(985.985)	(803.392)	22,7%
Depreciation	(418.717)	(253.454)	65,2%
Other third-party services	(911.049)	(401.001)	127,2%
Miscellaneous	(94.884)	(160.356)	-40,8%
Operational profit (no one-offs)	2.658.354	3.842.410	-30,8%

Business Platforms & Software Development

As of 2023, this business unit comprises the following companies:

- Elian Solutions SRL (SRC: 23037351), led by Iulian Motoi, is a company founded in 2008 and 51% owned by Bittnet Systems SA. It is a Microsoft Gold Certified Partner for ERP solutions.

- Kepler Management Systems SRL (SRC: 21562125) is a company similar in scope and business to Elian, which joined the Bittnet Group in Q3 last year. It is 75.8% owned by Elian and 24.2% by Bittnet Systems. During 2024, Kepler is to merge through absorption into Elian, resulting in one of the largest ERP solution implementers in the country.

- Nenos Software SRL (SRC: 29612482), founded and led by Toader Toporău, is a 61% owned by Bittnet (the rest by the founder) is a custom software development company with a focus on Artificial Intelligence and Machine Learning (AI/ML).
- Nonlinear SRL (SRC: 37758005) is a SPV set up to access European funding, 60% owned by Bittnet and managed by Mr. Toporău. The activity is product-based software development, focused on the development of a platform for digitizing and automating processes in small and medium-sized companies using low code/no code and machine learning technologies.

In the case of Elian Solutions, the year 2023 was once again one of exponential growth, the implementation of successful projects and results, but also the result of the combined efforts of the team:

Thus Elian's individual turnover rose to RON 18.27 million in 2023, which means an increase of 52% compared to the result of 2022 (RON 12 million) and a net profit of RON 1.4 million (+12% vs 2022). The structure of turnover is as follows:

1 Revenue from the sale of licences accounted for 39% (+4% compared to 35% of turnover in 2022). The increase comes as a consequence of the focus on large customers, large projects and high user numbers. We increased the average number of users per client deployment from 50 to 70 system users. Also in the area of licensing, if at the end of 2022 we opened our first 2 SaaS - software as a service - subscriptions with 2 customers, totalling 35 SaaS users, at the end of 2023 we ended up with 9 SaaS licensed customers, totalling 148 users.

2. Revenue from implementation services: represents 39% of turnover. The project delivery business has maintained its constant weighting in turnover, with the team delivering 47 new projects to 42 clients during 2023. Of the 47 projects delivered, 17% represent Elian's own solutions (SFA Offline, WMS solution, Retail solution and Selfordering solution),
3. Revenue from support and maintenance services represents 22% of turnover, down slightly from 25% last year. A number of existing customers have chosen to develop the existing solution, which has led to an increase in figures on implementation services (14 of the 47 projects in point 1 above are delivered to existing customers with ongoing support contracts).

In addition to the figures, in 2023 we consolidated the main directions identified in previous years:

- ✓ The use of Operational KPIs, proving to be a clear indicator of efficiency and a very useful tool in measuring progress by project milestones.
- ✓ We strengthened the middle management structure: as the team expanded, we recognised the importance of effective staff management and invested in leaders capable of coordinating activities effectively.

- ✓ In 2023 we achieved our Microsoft CSP (Cloud Solutions Partner) certification for Business Applications in Dynamics 365 and Power Platform, being among the pioneers in Eastern Europe with this designation. We maintain our focus on new Microsoft technologies, which is why we have invested in team certifications in new technologies.

One of our main goals for 2024 is to integrate the two teams, Elian and Kepler. In late 2023, Kepler Management Systems joined Elian, bringing with it a team of 20 consulting and programming specialists and a portfolio of 64 clients. Kepler is one of the most important Microsoft partners in Romania for the implementation and support of Microsoft Dynamics 365 Business Central ERP solution. The integration of the teams would lead to the formation of the largest implementer of Microsoft Business 365 Business Central ERP solution in Romania,

We are reconfirming the objective set in Q4 2023: expanding Elian's presence beyond Romania's borders, with a special focus on the US market. We continue the collaboration started in 2023 to promote Elian solutions and services in target countries in the EU and the US.

Another major goal for 2024 is to expand recurring business and licensing projects in the SaaS model. We're off to a promising start, with 148 SaaS users in 2023 and already over 300 SaaS licensed users in the first months of 2024.

In addition, for 2024, we aim to improve the efficiency of projects, which will help increase overall profitability.

Activities in the software development area of the pillar (Nenos & Nonlinear) have slowed down. The year 2023 was for Nenos Software and Nonlinear a year of repositioning in a changing global market. We found that the global instability in the IT market impacted our team, highlighting the importance of resilience in the face of sudden market changes. In terms of our projects, we have maintained collaborations with existing customers, while continuing to develop initiatives in key areas such as Intelligent Document Processing, eCommerce, Agritech, Healthcare, Insurance and Tourism.

From 2024 onwards, we aim to focus all our efforts on developing our own projects aligned with our Artificial Intelligence specialisation.

New customers: the end of 2023 marked a growth phase for us as we attracted new customers, each with distinct and challenging needs.

- We started a collaboration with a leading Austrian company specialising in extracting global infrastructure information from satellite and aerial imagery using advanced Machine Learning technologies. This collaboration is aimed at military and geospatial customers, offering solutions on a global scale.
- We are also involved in a strategic project in collaboration with Microsoft on the Azure platform for a client in the oil & gas industry. The objective of this project is to develop a solution for detecting and warning people going up or down the stairs of any of the client's premises, through the design of pathways.
- In addition, we are developing another project for environmental consulting firms. The client's proposed solution will have the ability to transform and model data inputs such as impact studies, previous reports, internal regulations, legislation, etc., ultimately generating a customised sustainability report for each company.

Platforms & Software development*		31.Dec.23	31.Dec.22	Evolution
Revenues		22.322.883	15.914.799	40,3%
	Service provision	15.252.331	11.727.856	30,1%
	Sale of goods	7.070.552	4.186.943	68,9%
Sales cost		(15.166.994)	(10.030.642)	51.2%
	Cost of goods sold	(4.625.295)	(2.689.304)	72% Cloud
	services	-	-	-
	Man-hours	(10.541.699)	(7.341.338)	43,6%
Gross margin		7.155.889	5.884.157	21,6%
Other income		29.672	140.729	-78,9%
Selling/distribution expenses		(1.188.173)	(682.698)	74%
	Staff expenses	(754.168)	(492.215)	53,6%
	Advertisement	(434.006)	(188.483)	130,3%
Administrative expenses (of which)		(4.090.285)	(3.090.572)	32.3%
	Staff expenses	(1.698.411)	(1.259.013)	34,9%
	Depreciation	(673.233)	(416.828)	61,5%
	Other third-party services	(665.516)	(502.841)	32,4%
	Miscellaneous	(372.409)	(273.746)	36%
Operational profit (no one-offs)		1.907.103	2.251.616	-15,3%

*Kepler's results have been consolidated in the group's results for December only

Costs allocated to the group

In addition to the day-to-day operational flows generated by the day-to-day activity of the companies making up the consolidation perimeter, the group also incurs expenses specific to the holding company organisation as well as from M&A activity or expenses related to maintaining the trading of financial instruments issued on the BSE systems.

GROUP COSTS	31.Dec.2023	31.Dec.2022
Other income	1.239.329	786.869
Selling/distribution expenses	(378.008)	(231.601)
Staff expenses	(190.547)	(144.729)
Advertising	(187.461)	(86.872)
Administrative expenses	(5.836.698)	(3.489.907)
Staff expenses	(2.150.838)	(1.212.428)
Depreciation (536.056)	(470.455)	
Staff expenses	(1.053.015)	(747.360)
Miscellaneous	(1.062.396)	(1.238.374)
Operational profit (no one-offs)	(4.975.377)	(2.934.639)

5.4. Strategy and

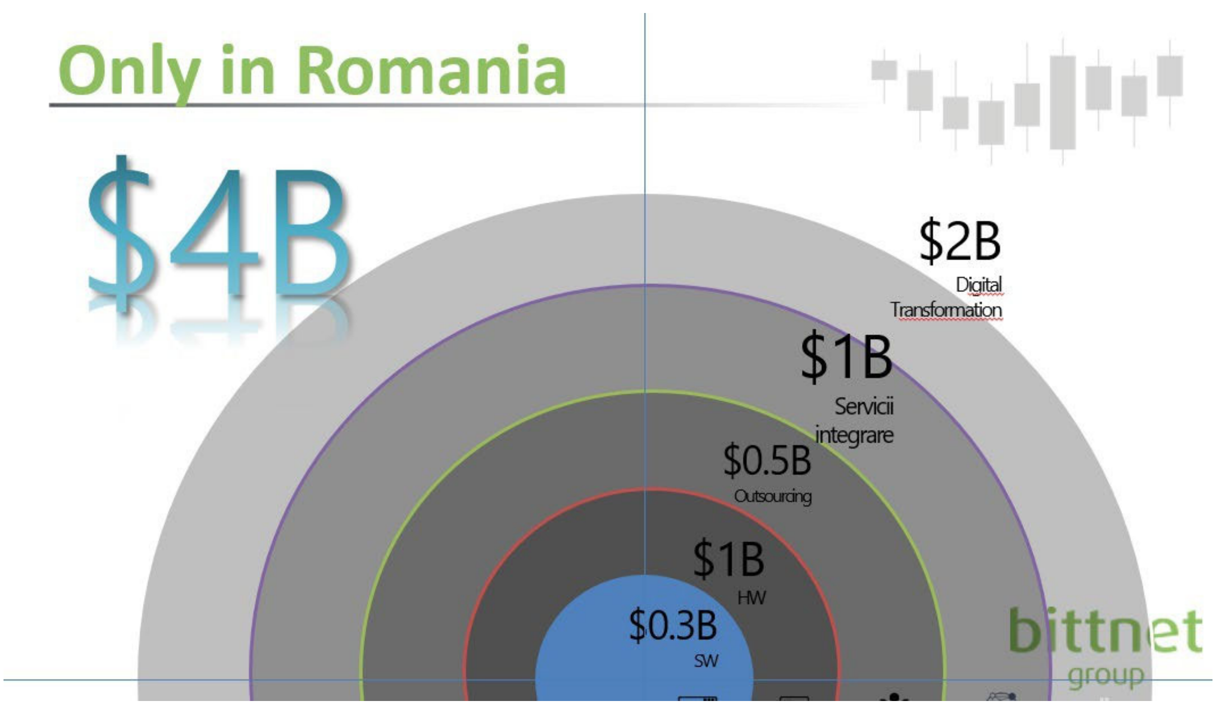
A description of the issuer's business strategy and objectives, both financial and non-financial (if any). This description shall take into account the issuer's future challenges and prospects.

Gartner& IDC (one of the largest IT industry research and analysis companies in the world) estimate the Romanian IT market at over USD 4 billion in 2020, divided according to the chart below. The Digital infrastructure pillar, which contributes most to the group's consolidated turnover, is present in all the main 'branches'/areas of the IT industry (except for Outsourcing Services). Moreover, the National Institute of Statistics (INS) estimates that the share of the IT industry has increased dramatically in 2021, reaching by the end of the year 6.7% of the gross domestic product of Romania, (worth EUR 14.6 billion).

According to multiple media sources, Romania has the third largest base of IT&C specialists in Central and Eastern Europe, but specialists in Romania will represent in 2022 less than 3% of the total number of employees at the national level, placing our country in second last place in the EU. However, Romania ranks 5th in the EU for the share of university graduates and IT training courses. On the other hand, our country has the lowest density of software and IT services companies in Central and Eastern Europe and has a rather low innovation performance, with the lowest share of R&D expenditure in GDP in the EU.

Romania's IT industry is one of the biggest contributors to GDP expansion over the last 20 years and a central element in economic growth. Data from ANIS (employers' association of the software and IT services industry in Romania) show that in 2022, for example, of the 4.8 percent GDP growth, about 1.3 percent was contributed by the IT industry. It is estimated that by 2023 the IT industry accounted for almost 8% of national GDP and the potential is still significant, with forecasts of 10% of GDP by the end of 2025.

In 2023 the IT industry in Romania was also affected by the wave of layoffs that started in the United States and Europe. At our Group level, this was particularly felt in the area of software development but also in the Education business unit where the cutting of training budgets by customers had a negative impact
on the performance achieved.



We continue to believe that accelerating the digitisation of entrepreneurial companies is the driving force behind the development of the Central and Eastern European economy and we want to play a leading role in this process. That's why Bittnet Group's strategy is to become a professional services platform in technology and education, building on our traditional, core competencies where we have competitive advantages, combining access to human resources with access to customers and access to finance through capital market mechanisms.

This business strategy is based on the following directions:

1 Continuous development of the portfolio of products and services offered, in line with global technological and socio-economic trends. We pursue this approach both at the level of individual companies, by continuously adapting the services offered to market requirements (adding new products and services, eliminating products or services that are no longer of interest to customers, adding new ways of consuming our products and services) and at group level, through national and regional expansion based on mergers and acquisitions (M&A) activities.

2. Continuous strengthening of the financial position, both through the organic development of the companies in the group, with the capitalization of profits, and through the expansion of borrowed capital, in order to have a more solid financial base, which will position the issuer and the Group as a main alternative both for clients and for other companies in the field, wishing to join a representative IT platform for Romania, CEE or (in a more distant future) Europe.

3. Development of strategic partnerships. This takes the form of participating in joint ventures of companies with common interests and activities, looking for partners to distribute our products and services to their customers, looking for partners from whom we buy products and services 'in bulk' to resell to our customers and partners, looking for investment partners with whom we can increase our capacity to carry out M&A projects.

Looking ahead, we believe that a few years of unprecedented acceleration of digital processes across the economy are ahead and we are confident that we will see further significant revenue growth. In recent years, the importance of the IT industry has grown in all directions and its contribution to GDP formation has exceeded 7% and will reach 10% by the end of 2025.

According to the DESI index that measures the degree of digitization at the level of EU countries, Romania ranks at the bottom both in the chapter that measures the level of digital maturity among private and public companies and in the pillar that measures the level of basic and advanced digital skills among company employees.

The market for IT specialists has officially passed the 240,000 mark, according to press sources citing several studies, i.e. double the number from 10 years ago; the industry outlook is that in the next 10 years the need for manpower in these areas will lead to a doubling of the number of specialists.

Both areas detailed above give us confidence that we are "operating in the right industry", and indicate the market potential for the four pillars of the Bittnet Group for the coming period:

- for the Education pillar, as employees, in order to better respond to the needs of the market, are in a continuous process of retraining and the need for IT specialists is still pressing on the labour market.

- for the Digital Infrastructure pillar, as organisations (both public and private) continue their digitisation journey, forced to adapt to the new context with funding coming either from their own resources or from accessing government programmes supported by EU funds for the Cybersecurity pillar: as cyber-attacks become increasingly
- diverse and sophisticated companies are investing significant budgets in 'defending' their IT infrastructures.

- for the Platforms/Business Applications & software pillar: the digitisation process involves more and more developments that simplify and automate processes in companies and society.

We continue to aim for profitable, sustainable and accelerated growth and this can be achieved by focusing on customer segments where we already have a high win rate, coupled with a higher percentage of profitability and a continued focus on delivering as much service as possible, not just implementing hardware and software solutions. For example, in 2023 the share of services provided amounted to RON 96 million, 47% more than the previous year. This is almost equal to the entire turnover of 2019 (the year prior to listing on the Main Market). We want to increase the share of own services delivered in 2024 and beyond.

Growth through M&A projects

Throughout our history as an issuer listed on the Bucharest Stock Exchange, we have always successfully used capital market mechanisms to finance our organic growth but mainly for accelerated development through mergers and acquisitions (M&A) projects.

The year 2023 was an active year in terms of M&A projects, as were the previous years 2021-2022. We completed 2 investments, a significant one that strengthened and consolidated the Digital Infrastructure pillar (by joining Dataware Consulting) and a strategic one for the Platforms & software pillar (the acquisition under Elian Solutions of the similarly focused company Kepler Management).

On 19.05.2023, we informed investors and the capital market about the signing of the completion certificate and related documents for the initial acquisition of a 70% stake in IT&C integrator Dataware Consulting, and by the end of the year its full acquisition was completed as announced in our current report of 07.12.2023. So that the operational integration process with Dendrio Solutions will be completed in the first part of 2024.

Founded in 2011 in Bucharest, Dataware is a Romanian IT&C company - implementer of complex technological services and solutions:

- implementation and configuration of data networks (Cisco and Brocade technologies)
- implementation and configuration of Storage Block&File, SAN - Storage Area Network
- implementation and configuration of Disaster Recovery and Business Continuity solutions
- implementation of forensic software
- implementation of security solutions

Following the integration of Dataware, the Bittnet Group has expanded its range of IT products and services with new technological capabilities as well as the area of certifications.

On 13.11.2023, the issuer announced on the BSE news feed that it had signed a purchase agreement for Kepler Management Systems, an implementer of the Microsoft Business Central ERP solution. Kepler has joined Elian Solutions in the Platforms & Software pillar and together they will form the largest implementer of the erp solution: Business Central in Romania.

In recent years we have learned a great deal from the difficult and intense process of consolidation through acquisitions and organic growth of the Bittnet Group in a highly fragmented IT&C market, and we are aware of the opportunity we now have by diversifying our geographic presence and the areas in which we operate, while increasing our revenue-generating power at group level and optimising costs. The doubling in a single year (2023, which comes after a further doubling in 2022) including through acquisitions of the total annual revenue generating power at the size of our group is an answer to the strategic questions that are constantly troubling us. Our focus remains on generating consistent and sustainable long-term added value for shareholders year after year. It is important to remember that generating consistent positive results for any acquired company (in any field not just within our group) involves a period of around 18-24 months required to integrate, optimise, leverage synergies and scale the business.

After the largest acquisitions we have closed in the last 2 years through an extensive M&A investment program for the next period we aim to consolidate the current portfolio of solutions and services but also to expand into CEE markets and strategic areas such as software development, cybersecurity and managed services.

5.5. To the extent that they have a significant influence on the issuer's business or profitability, summary information on the extent to which the issuer is dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes.

Not applicable. The issuer has no dependence on patents or licences, industrial, commercial or financial contracts, new manufacturing processes such as to have a significant effect on the business activities or profitability of the issuer or the group to which it belongs.

The issuer delivers technology solutions (IT&C) as well as training courses generally based on partnerships with major IT&C technology vendors such as Microsoft, Cisco, Amazon Web Services, Oracle, etc. Each of these vendors maintains specific partner authorization and certification policies - the "partner channel" (for both IT&C solution integration activities and IT training). If such a manufacturer were to decide that Bittnet group entities no longer have the right to continue to resell part of that manufacturer's solutions, this would have a significant impact on the group's revenues. We believe that the certifications that the companies in the group have from manufacturers are useful to us by increasing our ability to attract customers and to register profitability (including rebates from manufacturers). Similarly, the loss of a relationship with a manufacturer (loss of the right to market certain solutions (especially from key partners such as Cisco or Microsoft would create a problem for the Issuer).

In the case of Nenos & Nonlinear, there is no patent dependency. In the case of the e-Learning Company ("ELC"), the company derives most of its revenue from its relationship with global eLearning course producer Skillsoft. The loss of this partnership would have a significant negative impact on ELC revenues.

In the case of ISEC and FORT there are no patent dependencies, as they are two companies offering professional services in the area of cybersecurity.. The services provided are in the form of audit, consultancy and penetration testing services in both traditional and "managed services". The two
companies hold the relevant certifications (FSA, BNR, CISA, CISM, CEH, CISSP, OSCP, CDPSE, ISO 27701, etc).

5.6. The basis for any statements made by the issuer regarding its competitive position.

The issuer bases its competitive position statements on its own estimates, constructed either through analysis of data available from the Ministry of Public Finance (on the business of companies considered to be competitors) or on feedback received by the sales team from interactions with existing and potential customers.

5.7. Investments

5.7.1. A A description of the issuer's significant investments (including their value) for each financial year during the period covered by the historical financial information up to the date of the document.

Since the date of publication of the latest financial statements, the Issuer has not initiated or carried out any significant investment programme. At the end of the financial year, the consolidated statement of fixed assets was as follows:

		2019	2020	2021	2022	2023	Explanation
(1)	Fund commercial	17,701,643	21,082,977	40.771.174	57,528,189	89,398,454	Purchase goodwill tranzactions M&A
(2)	Other intangible assets	6,425,725	8,820,959	9.219.368	9,077,001	9,653,554	
(3)	Tangible assets	6,742,571	5,444,104	2.352.513	27,808,467	32,699,563	Registration as an office asset ONE – according to IFRS16, fitting out, technical installations and equipment
(4)	Equivalent securities		1,236,738	8,527,500	1.999.840	2,918,940	2,797,885 the ownership share (23%) of the net loss realised by E-Learning Company

(5)	Other intangible assets financial	1,107,049	7.483	2.041.467	2,426,167	695.988

The increase in non-current assets during 2023 is mostly due to M&A investments made (Dataware and Kepler).

5.7.1.B Specify the location and characteristics of the main production capacities owned by the company.

The specific nature of the Company's business does not involve the ownership of significant tangible assets. The company owns the computing technique (laptops, servers, mobile phones), office furniture, multifunctional printers and networking equipment organized in the form of course laboratories and demonstration laboratory for technological solutions.

Most of the company's tangible assets are transferred to the ONE Cotroceni Park office building in Bucharest. In addition to the headquarters in One Cotroceni, the companies in the group have various offices and presence in cities across the country:

- 2Net Computer has 2 work points in Brasov and Sfântu Gheorghe
- TopTech - 6 work points, one in each of Sibiu, Timișoara, Cluj-Napoca, Deva, Mediaș and Alba Iulia

- Nenos Software – one working point in Galati municipality
- Dataware Consulting – one working point in Galati, next to the one in Bucharest

5.7.1.C Overview and analysis of the degree of wear and tear of the company's properties.

The IT equipment owned by the company has a degree of physical wear and tear specific to office work - low. With the move to new premises from 2022 and the expansion of the group, the company has gradually started to upgrade the IT equipment used by employees and learners, opting for a 'pay as you use' approach - renting equipment rather than investing directly in tangible assets - as mandated by the GMS. In addition to IT equipment, TopTech owns a fleet of vehicles with an average age of 6 years and various degrees of natural wear and tear. We consider these assets as non-core, and as they are retired, they will be replaced with operating leases.

5.7.1.C. Clarification of potential issues relating to ownership of the company's tangible assets

Non-current assets acknowledged under IFRS 16 are not the property of the Issuer, being leased by the Issuer from their owners. This is not a "problem" but a "feature" of contracts of this type (operating leases or long-term leases).

5.7.1. New products envisaged for which a substantial volume of assets will be allocated in the next financial year as well as the stage of development of these products.

The company's development plan includes the following pillars, which have as their component the addition of new products and services. Every new product or service that is added to Bittnet's offer at some point starts from a specific demand, volume, in the market, among our customers. Thus, there are no new products for development to which substantial resources will be allocated, each addition being made under “breakeven” conditions. For the year 2023, in terms of CAPEX (investment in product development), the proposed maximum budget (which we do not intend to consume) is RON 10,000,000.

In the Digital Infrastructure pillar we mainly focus on the development of existing products and services as well as on the optimisation of workflows. We will focus on increasing the volume of recurring projects, cloud solutions and cyber security. For this purpose we will use existing platforms (CRM, Project Planning and integrations with large platforms Cisco, Microsoft AWS), without the need to invest in new platforms.

It is written in the document for 2021:

> *we believe that an important part of business growth will continue to come from the resale and implementation of solutions based on Cloud, IT Security and Managed Services technologies. We intend to position the group's solutions, based on the team's evolving skills. Cybersecurity is an area in which the group has always excelled, our skills being certified by multiple relevant vendors in the IT security industry such as Cisco, Checkpoint, Bitdefender, etc. Cloud, Mobility or IoT solutions that are the technological trends of 2019 cannot be designed without a serious IT security component, and Bittnet Group is ready to support customers in this respect.*

As can be seen from this report, the areas of interest continue to remain, but our investments in the field have taken more the form of M&A - buying part or all of companies with products and services in the areas of interest. We believe that even in the future this type of investment will be the one that will consume more significant capital resources compared to launching new products and services 'in house'. At the GMS in September 2021, shareholders approved an M&A investment budget of RON 200 million for the coming years.

5.7.2. A description of the issuer's significant investments in progress or for which firm commitments have already been made, including mentions of the geographical distribution of these investments (nationally and abroad) and their sources of funding (internal or external).

The issuer continuously invests in the development of IT systems, technological platforms for information access, internal management and IT applications that can be offered to customers. None of these investments exceed the limit of 20% of fixed assets required by law, as they fall within the investment budget approved by the GMS each year. The sources of funding for investments in the development of internal IT systems and technology platforms are internal. At the GMS in September 2021, shareholders approved an M&A investment budget of RON 200 million for the coming years.

5.7.3. Information on joint ventures and undertakings in which the issuer holds a proportion of the share capital that is likely to have a material impact on the valuation of the assets and liabilities, financial position or profits and losses of the issuer.

The process of continuous evolution of the group, both through the launch of new products and services and through continuous acquisitions, has led to the current situation in which the activity is organised in more independent centres ("cells"), in areas of interest ("development pillars") or ("business groups"), which represent sub-areas of activity in the IT&C Services area. Bittnet is today a conglomerate offering investors exposure to the entire Romanian IT&C industry. Each pillar (Business Group/ Business unit) will be able to have direct and independent funding from the capital market, cooperating with the other companies in the group to offer greater added value to both our customers and our employees/partners. During 2023, the Group's organisational structure of two divisions (Education and Technology) was abandoned and a more flexible structure with four pillars of activity (business units) was chosen. The Group was composed at the end of 2023, as well as at the time of writing, of 16 companies divided into 9 commercial brands and organized on 4 pillars:

Digital Infrastructure:

- Dendrio Solutions SRL (SRC 11973883), owned 88% by Bittnet Systems and led by Iulian Zamfir, is the only multi-cloud integrator in Romania, partner certified to the highest standards by Cisco, Microsoft, Google, Amazon Web Services, and many other vendors, is the company that brings together IT&C integration activities from Bittnet, Gecad Net and Crescendo. Dataware Consulting SRL (SRC 27895927) – is 71.13%
- owned by Dendrio Solutions and 28.87% by Bittnet Systems. Dataware implements technology solutions such as data networking, block & file storage, storage area network, disaster recovery and business continuity solutions, forensic software and security solutions. The company has partnerships with leading manufacturers such as Fujitsu, Cisco, Brocade and M-Files. Dataware offers clients IT services from consulting, analysis and design to implementation, support and testing, especially for complex projects.
  Top Tech SRL (SRC 2114184) 40% owned by Bittnet Systems and 46% by Dendrio Solutions, is managed by Dragoș Groza is a company with a 30-year history, which integrates IT
- infrastructures (communications, data processing, physical security systems) from vendors such as Dell, HP, Xerox or Microsoft, with a regional presence, having 6 branches in Transylvania and Banat and a team of over 80 specialists.
  2NET Computer SRL (SRC 8586712) wholly owned by Dendrio Solutions - is a company specialized in equipment sales and implementation of IT infrastructure solutions with regional presence in Brasov and
- Covasna counties (thus contributing to the national presence of the group)
  Optimizor – formerly IT Prepared SRL (SRC 35456175), 50.2% owned by Bittnet Systems and led by Alexandru Ana, is an entrepreneurial managed services company founded in 2016, providing IT support
- services primarily to the US market. Optimizor's customer portfolio is primarily based on US companies, but also includes a number of local customers.

Education:

- **Technical Skills**
  - Bittnet Systems SA (SRC 21181848): the parent company of the group, listed on the Regulated Market of the Bucharest Stock Exchange. It runs the holding activity for the entire group of companies plus the IT Training activity, being the undisputed leader of this market in Romania.
  - Computer Learning Center SRL (SRC 26065887), wholly owned by Bittnet Systems, is an IT training company with a focus on cybersecurity, founded in 2009, with a long history of serving corporate clients.
- **Human Skills/ Soft Skills**
  - Equatorial Gaming SA (SRC 30582237), currently 99% owned by Bittnet Systems, is a game-based learning company that provides softskills training for the IT industry in both classic and gamified form. It owns 100% of Equatorial Training with similar business.
  - The eLearning Company SA (SRC 30760571), 23% owned by Bittnet Systems, is an entrepreneurial company offering eLearning courses for companies It does not fall within the scope of financial consolidation except under minority interests given
    the group's ownership percentage.

Cybersecurity:

- FORT S.A. (formerly Global Resolution Experts S.A.) (SRC 34836770), 58.86% owned by Bittnet, is a cybersecurity professional services company providing penetration testing, design, implementation and maintenance of cybersecurity solutions.
- GRX Advisory SRL (SRC 43813325) wholly owned by FORT S.A., provides professional services in the area of cybersecurity, offering penetration testing as well as design, implementation and maintenance of cybersecurity solutions
- ISEC Associates SRL (SRC: 23037351), wholly owned by FORT S.A., is a professional services company in the area of cybersecurity, offering auditing, consulting and penetration testing services (classical and managed services). The company holds numerous certifications (FSA, BNR, CISA, CISM, CEH, CISSP, OSCP, CDPSE, ISO 27701, etc).

Platforms/Business Applications & software

Business solutions (ERP)

- Elian Solutions SRL (SRC: 23037351), led by Iulian Motoi, is a company founded in 2008 and 51% owned by Bittnet Systems SA. It is a Microsoft Gold Certified Partner for ERP solutions.
- Kepler Management Systems SRL (SRC: 21562125) is a company similar in scope and business to Elian, which joined the Bittnet Group in Q3 last year. It is 75.8% owned by Elian and 24.2% by Bittnet Systems. During 2024, Kepler is to merge through absorption into Elian, resulting in one of the largest ERP solution implementers in the country

Software development

- Nenos Software SRL (SRC 29612482), founded and led by Toader Toporău, is a 61% owned company by Bittnet (the rest by the founder) is a custom software development company with a focus on Artificial Intelligence and Machine Learning (AI/ML).
- Nonlinear SRL (SRC 37758005) is a SPV set up to access European funding, 60% owned by Bittnet and managed by Mr. Toporău. The activity is a product-based software development, focused on the development of a platform to digitize and automate processes in small and medium-sized companies using low code/no code and machine learning technologies.

Investments in listed companies

In addition to the companies listed above, in which we have significant positions, which are accounted for under IFRS consolidation rules, our group also holds some investments in listed companies, based on the philosophy "buy stock in businesses that you would like to own yourself". We think it's more useful to own a smaller portion of a company we like than to own nothing at all.

In contrast, IFRS consolidation standards require these holdings to be accounted for through the income statement as if we actually bought the shares at the beginning of each quarter and sold them on the last day of the quarter, repeatedly each quarter. In other words, these fluctuations are recorded in our accounts "benefiting" from capital market multipliers. Sometimes these fluctuations will increase the gross result and sometimes decrease it from the quarterly revaluation of these mark-to-market holdings. What is important to keep in mind is that our ability to stay with the companies we have invested in for the long term will give us more opportunities over the long term to make an effective return on those investments than losses. By 2023, the company had such investments in companies Arctic Stream

SA and Softbinator Technologies SA. As at 31.12.2023, the investment in the shares of the two companies was revalued using the average trading price on the AeRO-SMT market, the market on which their shares are listed, as at 31.12.2023.

5.7.4. A description of any environmental issues that may affect the issuer's use of its property, plant and equipment.

Not applicable. Not applicable.

5.8 Information on security of supply sources and prices of raw materials and stock sizes of raw materials and materials.

For the “IT solutions integration” business line, the company “supplies” with IT equipment and licenses (hardware and software) - which are sold again as goods to customers. The supply of goods is made from importers / distributors - companies present in Romania. There are no ‘single importer’ situations for any of the types of equipment or licenses sold, so the security of supply does not depend on the relationship with a particular supplier. The issuer maintains commercial relations with several distributors, with significant turnover with each of them.

For the “Education” business line, the group is being “supplied” with training manuals and access to official virtual laboratories, by multiple global external partners or directly by manufacturers, but also by services subcontracted from partners: either companies or independent subcontractors (freelancers). There are no “single supplier” situations in this area either, Bittnet maintaining relationships with several partners in each field of activity.

All previously described relationships are created based on partnerships with IT manufacturers (Cisco, Microsoft, Oracle, Amazon Web Services, ITIL, VMware, Dell, HP, etc.). These partnerships offer access for Bittnet to the producer’ offer and discount systems, and distributors/importers “transfer” the pricing conditions obtained from the producers. The relationships with IT solutions manufacturers are maintained by periodically renewing the competencies and certifications of our company. Each of these relationships is important for Bittnet and each year we carry out the activities required to maintain the “status” in the relationship with these vendors.

The overwhelming majority of the products and services delivered by Bittnet for which supply from producers is required are not subject to price risk, because the price lists of the major producers are published for one year in advance, and these companies have the size and processes required to sustain prices during the fiscal year. At the same time, Bittnet places orders with suppliers only based on orders from customers, so the period of time during which the price could fluctuate is very short (maximum 1 week). In conjunction with the previous explanation, we consider that price fluctuations in raw materials and materials are not a risk factor for the company.

As a basic rule, the Issuer does not operate with stocks, transmitting orders to suppliers based on firm orders from customers. However, it is possible that in one quarter or another there may be significant stocks (as was the case in H1 2023)

5.9 Description of any significant dependence of the company on a single customer or group of customers whose loss would have a negative impact on the company's revenues.

In describing the sales structure, the concentration of turnover and the risk of loss of significant customers, several considerations, applicable to the vast majority of turnover (over 70%), should be borne in mind

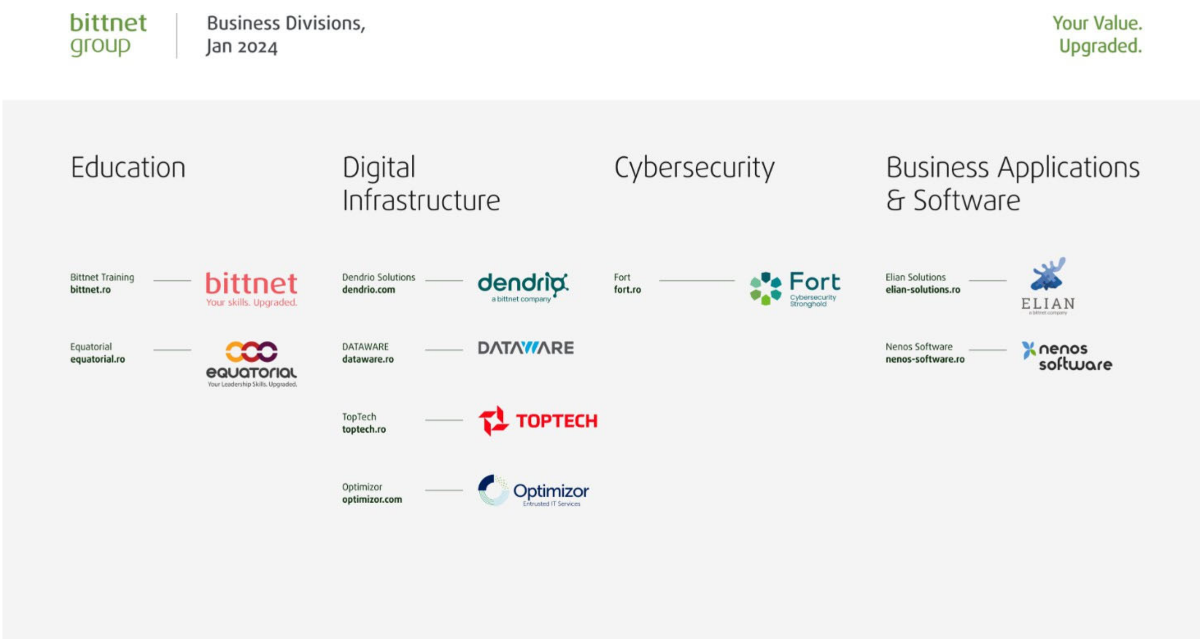
- the company does not have multiple, recurring delivery contracts. The type of products and services delivered are more suitable for the "framework contract with one-off orders" approach.
- recurrence of customers, the fact that they come back and buy again from Bittnet Group companies is the result of the combination of two factors: our technical ability to deliver products and services with a high degree of specialization and the proven quality level at which we provide these services.

Due to these factors, relations with our “reseller” partners and also with customers strengthen over time, Bittnet being an increasingly reliable partner for them, which makes them involve us in several larger projects. On the other hand, as we increased both the number of customers we supplied for and the type of products, their concentration decreased significantly as compared to the first years as a listed company. Even more so with the increasing number of companies in the group, group-wide dependence on a single customer can today be considered insignificant. Even if in any of the companies we will be able to identify 1 or 2 customers that have a higher share than the rest of the customers of that company, we consider that the value given by the consolidated size of the group is also reflected in the fact that the Group itself will not experience problems if one of the companies loses one of the customers with a higher share of deliveries in the sales of that company.

Section 6: Organizational Structure

6.1. If the issuer is part of a group, a brief description of the group and the issuer's position within the group. This may take the form of an organisation chart or may be accompanied by such a chart if this helps to clarify the structure.

Bittnet is today a conglomerate offering investors exposure to the entire Romanian IT&C industry. Each pillar (business unit) will be able to have direct and independent funding from the capital market, cooperating with the other companies in the group to offer greater added value to both our customers and our employees/partners.



6.2. A list of the issuer's major subsidiaries, including their names, their country of registration, their share of the issuer's equity and, if different, the percentage of voting rights held by the issuer.

The issuer holds participations in the share capital of other companies as follows:

- Bittnet Systems SA (SRC 21181848): the parent company of the group, listed on the BSE. It runs the holding activity plus the IT Training activity, being the undisputed leader of this market in Romania.
- Computer Learning Center SRL (SRC 26065887), wholly owned by Bittnet, is an IT training company with a focus on cybersecurity, established in 2009, with a long history of serving corporate clients.
- Equatorial Gaming SA (SRC 30582237), currently 99% owned by Bittnet, is a game-based learning company that provides softskills/humanskills training for the IT industry, both in classic and gamified form. It owns 100% of Equatorial Training SRL (SRC: 33446345) with a similar field of activity.
- The eLearning company SA (SRC 30760571), 23% owned by Bittnet, is an entrepreneurial company offering e-learning courses for companies. They are only within the perimeter of consolidation as non-controlling interests.
- Dendrio Solutions SRL (SRC 11973883), owned 88% by Bittnet, is the only multi-cloud integrator in Romania, partner certified to the highest standards by Cisco, Microsoft, Google, Amazon

Web Services, and many other vendors, is the company that brings together IT&C integration activities from Bittnet, Gecad Net and Crescendo.

- Dataware Consulting SRL (SRC: 27895927) is owned 71.13% by Dendrio Solutions and 28.87% by Bittnet Systems. Dataware implements technology solutions such as data networking, block & file storage, storage area network, disaster recovery and business continuity solutions, forensic software and security solutions. The company has partnerships with leading manufacturers such as Fujitsu, Cisco, Brocade and M-Files. Dataware offers clients IT services from consulting, analysis and design to implementation, support and testing, especially for complex projects.

- Top Tech SRL (SRC 2114184) 40% owned by Bittnet Systems and 46% by Dendrio Solutions, is a company with a 30-year history, which integrates IT infrastructures (communications, data processing, physical security systems) from vendors such as Dell, HP, Xerox or Microsoft, with a regional presence, 6 branches in Transylvania and Banat and a team of over 80 specialists.
- 2NET Computer SRL (SRC 8586712) is 100% owned by Dendrio Solutions SRL as of September 2022. With over 20 years of experience, 2net computer SRL provides IT&C products and services mainly in the Brasov area and the centre of the country for local and international clients with presence in Brasov, Harghita and Covasna counties. 2net computer provides technology products and solutions from international vendors.
- ITPrepared SRL renamed Optimizor (SRC 35456175), 50.2% owned by Bittnet, is an entrepreneurial managed services company founded in 2016, providing IT support services primarily to the US market. ITPrepared's customer portfolio is primarily based on US companies, but also includes a number of local customers. Managed services is the outsourcing of responsibility for maintaining and anticipating the need for a range of processes and functions aimed at improving operations and reducing costs within a company.

- Elian Solutions SRL (SRC: 23037351), a company founded in 2008 and 51% owned by Bittnet Systems SA, is a Microsoft Gold Certified Partner for ERP (Business Central) solutions.
- Kepler Management Systems (SRC 21562125), the company that joined the Bittnet group in December 2023, has a similar profile and business to Elian Solutions SRL (which also owns the majority stake) It is owned 75.80% by Elian and 24.20% by Bittnet.
- Nenos Software SRL (SRC 29612482), 61% owned by Bittnet, is a custom software development company with a focus on Artificial Intelligence and Machine Learning (AI/ML)

- Nonlinear SRL (SRC 37758005) is a SPV set up to access European funding, 60% owned by Bittnet. The work is product based software development, focused on developing a platform for digitizing and automating processes within small and medium sized companies using low code/no code and machine learning technologies.
- Fort SA (formerly: Global Resolution Experts S.A.) (SRC 34836770), 60% owned by Bittnet, is a cybersecurity professional services company offering penetration testing as well as design, implementation and maintenance of cybersecurity solutions. Owns GRX Advisory SRL fully (SRC 43813325), with similar services.

- ISEC Associates SRL (SRC: 23037351), currently 100% owned by Fort SA, is a professional services company in the area of cybersecurity, offering auditing, consulting and testing (penetration testing) services under the classic and "managed services" regime. The company holds numerous certifications (FSA, BNR, CISA, CISM, CEH, CISSP, OSCP, CDPSE, ISO 27701, etc).

In terms of the Group's structure, during 2023 the two-division structure was abandoned in favour of a more flexible four-pillar structure: Digital Infrastructure, Education, Cybersecurity, Platforms/Business Applications & software. There were no significant mergers or reorganisations of the issuer, its subsidiaries or controlled companies during the financial year.

Section 7: Financial Statement

7.1. Financial statement

To the extent not included elsewhere in the document and to the extent necessary for an understanding of the issuer's business as a whole, a fair review of the development and performance of the issuer's business and its position for each financial year and each interim period for which historical financial information is required, including the causes of material changes. The review shall be a balanced and comprehensive analysis of the development and performance of the issuer's business and of its position, consistent with the size and complexity of the business. To the extent necessary for an understanding of the issuer's development, performance or position, the analysis shall include both financial and, where appropriate, non-financial Key Performance Indicators relevant to the particular business. The analysis shall, where appropriate, include references to, and additional explanations of, amounts reported in the annual financial statements.

The full financial report (including the financial statements with notes) can be consulted both on the issuer's own investor relations website and on the BSE website, i.e. HERE. The financial statements with explanatory notes can be found on the issuer's investor relations website, i.e. HERE.

The final audited financial results for 2023 differ slightly from the preliminary financial results published by the issuer at the end of February 2024 in terms of assets and liabilities. With regard to the profit and loss account, changes occurred on total income due to various adjustments under International Financial Reporting Standards, as follows:

- Under IFRS15 (Revenue recognition from contracts with customers): The Group analysed together with the auditor the commercial relationships with its customers in order to identify those cases where, during 2023, it only made low-frequency, transactional deliveries of software licences to a specific customer. These transactions were considered to represent resales of standard software licences, in that in these cases the Group does not sell the rights associated with these software licences in combination with its own value-added services, but only intermediates their sale from manufacturers/distributors to end customers. Revenues from the resale of such standard software licenses were recognized on a "net" basis, i.e. the resulting gross margin was fully recognized as revenue, with zero cost of sales. Following the analysis, the Group's total revenues decreased by approx. RON 5 million, with no impact on gross margin, gross profit and net profit.

- Under IFRS15 (Revenue recognition from contracts with customers): The Group reviewed with the auditor transactions where the sales price included a separate, contractually specified amount for the subsequent provision of services (such as revenue from the sale of producer warranty services); that revenue was deferred (account 472 "Deferred revenue") and recognised as revenue over 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. In contrast, the related expenses have been deferred (account 471, "Prepaid expenses") and recognised in the same period in which the services are rendered. Following the analysis, the Group's total revenues decreased by approx. RON 2 million, and gross margin, gross profit and net profit decreased by approx. RON 42 thousand.

- Under IFRS 16 (Leases): The Group has analysed with the auditor the sale & lease-back transactions related to leased equipment purchases. For these transactions, the Group recognised as income (under 'Other income') only the net gain from the sale of equipment to leasing companies, with zero cost of sales. Following the analysis, the Group's total revenues decreased by approx.
  RON 1.7 million, with no impact on gross margin, gross profit and net profit.

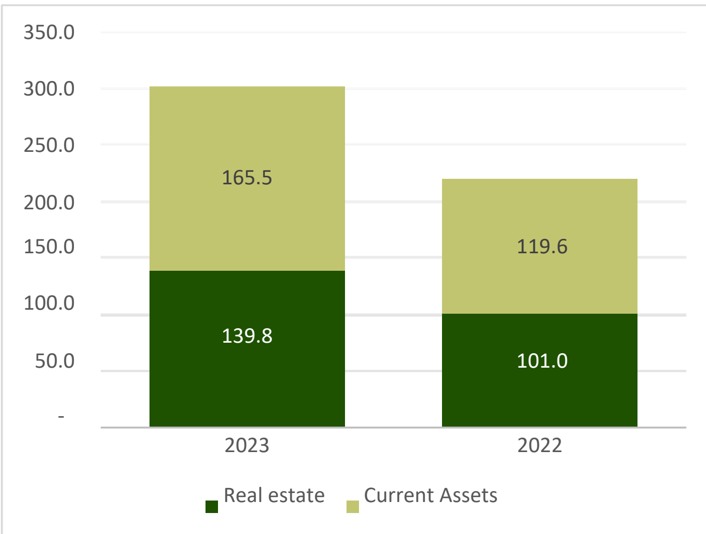
In conclusion, the key profit and loss statement indicators in the final audited consolidated results are presented as follows versus the preliminary consolidated results:

- Turnover: RON 375.5 million (vs RON 383.2 million) Other
- income: RON 5.2 million (vs RON 6.2 million)
- Gross margin: RON 66.2 million (vs RON 65.5 million)
- Gross profit: RON 1.7 million (vs RON 1.6 million)
- Net profit: RON 824 thousand (vs RON 609 thousand)

Key elements at the end of 2023 under IFRS, consolidated financial statements, audited:

- Turnover: RON 375 million (+95% vs 2022)
- Gross margin: RON 66 million (+54% vs 2022)
- Operational profit: RON 12.2 million (+46% vs 2022)
- Gross profit: RON 1.7 million (vs loss of RON 2 million in 2022) Cash flow
- from operating activities: RON 60.9 million Cash position at 31.12.2023:
- RON 70 millions
- Equity (net book assets): RON 91 million (+59% versus 2022)

Consolidated Financial

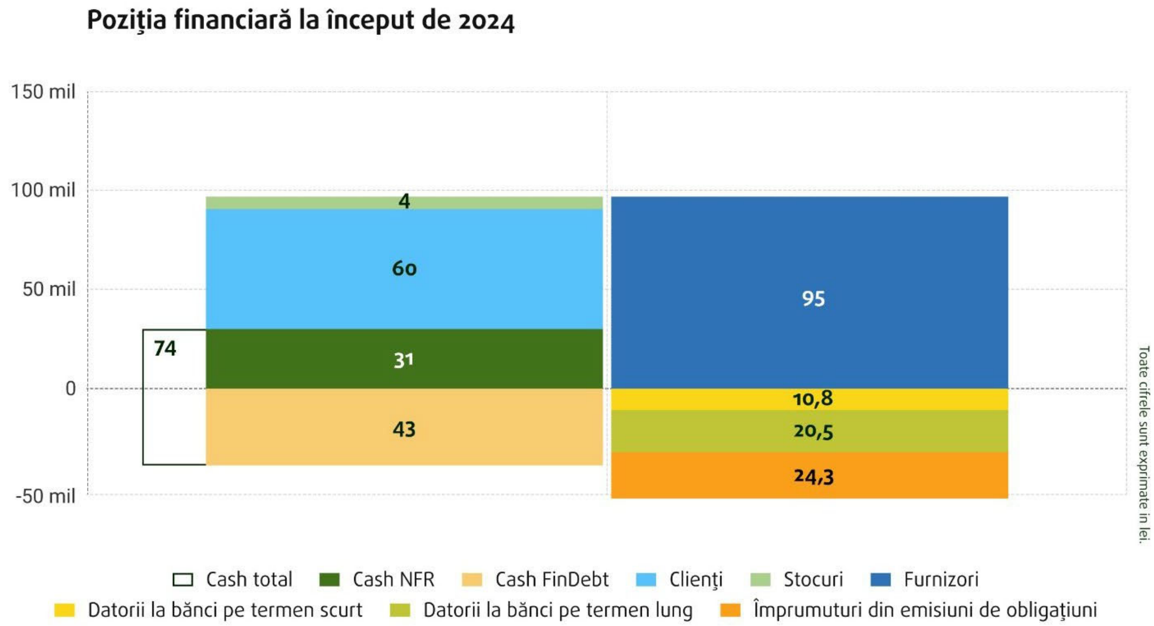


Non-current assets increased from RON 101 million at the beginning of the year to RON 139 million as at 31.12.2023 (+37% vs. 2022) mainly due to the increase in goodwill by RON 31.7 million as a result of M&A investments made in 2023 in Dataware Consulting and Kepler Management.

The increase in current assets to RON 165 million is mostly due to the increase in trade receivables from customers (and other receivables) to RON 72 million at the end of the year (+20% vs 2022) as the group's business doubled, as well as the cash

position amounting to RON 70 million as at December 31, 2023

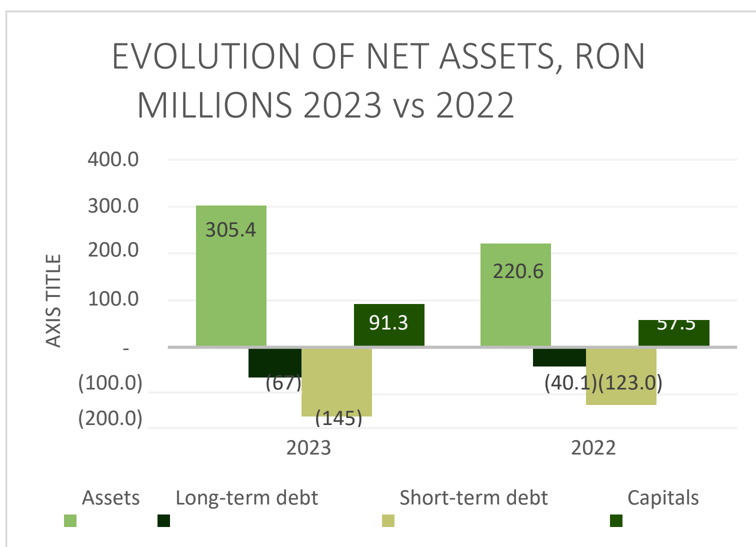
At the end of 2023, the group's stock position returned to normal values (RON 4.2 million) - this after having recorded a record value of RON 37.8 million on 30.06.2023. We said then that suppliers credited us with stocks of approx. RON 37 million (which was invoiced to customers for approximately RON 41 million), granting us extended payment terms that allowed us to continue to operate with a significant operational cash flow - a trend that continued in the second half of the year and led to the financial position at the end of 2023: cash in banks at the end of the year amounted to RON 70 million.



Trade receivables plus the value of the stock balance plus cash in banks (approximately RON 135 million) cover 145% of short-term trade payables. And trade receivables plus the value of inventories and cash cover short-term debts (trade plus current) by almost 120%.

This development shows us a strong financial position of the group and demonstrates that we can obtain good payment terms from suppliers to carry out complex and longer closing/delivery cycle projects.

Long-term debt increased by approx. RON 27 million to RON 67 million (+67% vs. 2022) mostly due to the issuance of new bonds with long-term maturities in the period 2026-2028 (BNET26E, BNET27A and BNET28). In conjunction with the increase in bank debt in particular with an investment loan of RON 10 million taken out with ProCredit Bank in May 2023 to partially finance the M&A transaction with Dataware Consulting.



Short-term debt increased by RON 22 million to RON 145 million at the end of the year as a result of the increase in the trade receivables position, in line with customer receivables but also with the doubling of the Group's business with the expansion of the financial consolidation footprint.

Equity recorded the highest historical value at the end of the year, RON 91 million, up 59% compared to 2022.

Analyzing the composition of this amount, between the year of listing and the end of 2023 we attracted equity (through capital increases) of RON 50.6 million (of which RON 30 million during 2023), and generated equity of approximately RON 40.6 million. Analysing only the evolution of equity, we distinguish an IRR of over 25% :

Operation	Amount	Date
Equity on Apr 15, 2015	(864.743)	15.Apr.15
MCS Dec-17	(807.127)	05.Dec.17
MCS Dec-18	(2.892.205)	14.Dec.18
MCS Apr-20	(9.168.712)	10.Apr.20
MCS Mar-21	(10.725.345)	20.Mar.21
Redemptions August 22	2.603.000	31.Aug.22
MCS Mar 23	(29.700.000)	30.Mar.23
Equity Dec 2023	91.268.000	31.Dec.23
IRR	25.23%	

Consolidated profit and loss account

BNET GROUP (consolidated statement)	31.Dec.2023	31.Dec.2022	Evolution
Income from contracts with customers	375,532,179	192,156,489	95,43%
Revenues from the provision of	97,635,729	65,492,518	49,08%
Sale of goods	277,896,450	126,663,972	119,4%
Cost of sales	309.389.400	149,412,267	107,07%
Cost of goods/materials sold	246,684,904	107,635,220	129,19%
Cloud services	5,347,206	5,364,091	-0,31%
Man-hours	57,357,290	36,412,956	57,5%
Gross margin	66,142,779	42,744,222	54,7%
Other revenues	5,169,765	3,481,459	48,49%
Selling/distribution expenses	18,432,534	13,793,331	33,6%
Man-hours	15,406,891	11,684,265	31,9%
Advertisement	3,025,643	2,109,066	43,4%
Administrative costs (of which)	41,734,919	24,109,599	75,9%
Man-hours	16,652,464	9,676,334	72,1%
Amortization	9,047,336	4,424,982	104,5%
Other third party services	7,941,815	4,766,804	66,61%
Operational profit (no one-offs)	12,218,667	8,322,751	**46,8**%
EBIT	12,218,667	8,322,751	**46,8**%
EBITDA	21,266,004	12,747,733	66,8%

Consolidated turnover almost doubled in 2023 compared to the previous year, exceeding RON 375.5 million. For the first time, the share of services in the group's total revenue approached the RON 100 million mark over 12 months (an increase of 49% vs. 2022), a trend we want to improve in 2024.

Compared to the budget approved in the GMS of April 27, 2023, the consolidated revenues are significantly higher, BVC estimated total revenues of about RON 300 million (instead the realized revenues are 25% higher than budgeted). Of course, one of the factors that contributed significantly to this development was of an organic nature: as a result of Dataware entering the consolidation perimeter in June.

Excluding Dataware's contribution to total consolidated revenues, organic growth is 35% vs. 2022, in line with the historical average analysed in other years.

Cost of sales (COGS) also doubled, roughly in line with the doubling of consolidated revenue, mainly due to the expansion of COGS.

Gross margin increased by 54% to RON 66 million while selling and distribution expenses had a normal, slower evolution of 33% vs. 2022, a natural increase mainly due to the extension of the financial consolidation perimeter. Administrative expenditure increased for the same reasons (+76% vs 2022) due to the expansion of the consolidation footprint. More important in the analysis of administrative expenses is their share of turnover - a share that has decreased from 12.5% to 11.2% - i.e. a 10% efficiency gain.

7.2. Operational Profit, Operating Profit, Financial Profit and Gross Profit

Consolidated operational profit increased by almost 46% , recording the highest value ever: RON 12.2 million – while the EBITDA indicator exceeded RON 21 million (+66% vs 2022). We would like to take this opportunity to remind you that there has never been a year in which the Group did not record an operating profit.

BNET GROUP (consolidated statement)	31.Dec.2023	31.Dec.2022	Evolution
EBITDA	21,266,004	12,747,733	66,8%
Operational profit (no one-offs)	12,218,667	8,322,751	**46,8%**
One-off result	-	-	
EBIT	12,218,667	8,322,751	**46,8%**
SOP adjustment	(1,073,576)	(890,381)	20,5%
Goodwill impairment	-	(495,000)	
Pre-acquisition M&A costs	(689,691)	(1,650,821)	-58,2%
Gain/loss on equity securities	(121,055)	273,630	-144,2%
Income/expenses from valuation of securities	(2,167,698)	(2,888,985)	-24,9%
Other financial income	799,173	(431,498)	
Financial expenses	(7,076,271)	(4,308,881)	64,2%
Gross profit	1,735,001	(2,069,186)	
Net profit	823,662	(2,192,586)	

Between operational profit and gross profit, two of the items that had the biggest impact are non-cash - the adjustment related to SOP, approx. RON 1 million and the revaluation of holdings in companies listed on the AeRO-BVB market (CODE and AST) revaluations carried out quarterly according to the market counts of the two shares and recorded through P&L - RON 2.1 million.

On the other hand, the item that contributed the most was the Financial Expenses position which amounted to RON 7 million (+66% vs. 2022) mainly due to the contracting of new bank loans during 2023 by the group companies (for working capital and investments) but also due to coupon payments for bond issues.

Consolidated gross profit returns to positive territory at the end of the year: RON 1.7 million (vs a loss of RON 2 million in 2022) while net profit was at RON 823 thousand.

7.2.1. Information on significant factors, including unusual or rare events or new developments, which significantly affect the issuer's operating revenues, indicating the extent to which they are affected.

After the overlapping global crises of 2020-2022 (Pandemic Covid19, problems in the global transport chain, semiconductor crisis, war in Ukraine) we can say that we are operating in a scenario where, even if far from ideal, it is stable but in a difficult market context in 2023 (the IT industry has been affected in Western Europe and the United States by the wave of layoffs) and certainly full of challenges ahead and in 2024.

7.2.2. Where historical financial information shows significant changes in net sales or revenues, a description of the reasons for the changes shall be included.

There have been no significant changes in sales or non-normal income in the activity carried out on the market in which the issuer operates, combined with M&A operations.

7.3. Evaluation of R&D activity. Expenditure in the current financial year and expenditure expected in the following financial year on research and development activity

Within the group companies there is generally no R&D activity. During 2022, FORT SA (formerly Global Resolution Experts) has signed a project co-financed by European Funds to deliver an innovative solution based on artificial intelligence. The value of the entire project is RON 7.34 million, of which the European funding is RON 5.74 million. Compared to the total revenue in 2022, the grant funding represents about a third of the annual turnover - in other words we could not have developed this project with our own resources.

In return, the project deliverable will be FORT's intellectual property and represents the culmination of over 8 years of experience in the insurance industry, primarily in terms of instrumentation of the motor claims analysis and settlement process. The solution will give users the ability to automatically identify damaged elements of a vehicle and make predictions on the estimated cost of repair.

Although cybersecurity is only a tangential component of the project, Fort's involvement was made possible thanks to the company's long-standing collaborations in insurance, as well as the project team's know-how in the areas required for the research approach.

During 2022 and 2023, the implementation of this project through European funds affected Fort SA's profits. Regular income of at least RON 250,000 per year is estimated, starting in 2024.

Section 8: Capital resources

8.1. Information on the issuer's capital resources (short and long term).

The Issuer's equity exceeds RON 91 million at the end of 2023 (the highest historical value). In Q1 2023, the Issuer carried out a capital increase operation with new contributions that increased equity resources by RON 32 million, of which RON 29 million were new cash contributions from shareholders, and RON 3 million from the conversion of M&A receivables (resulting from the Top Tech acquisition transaction).

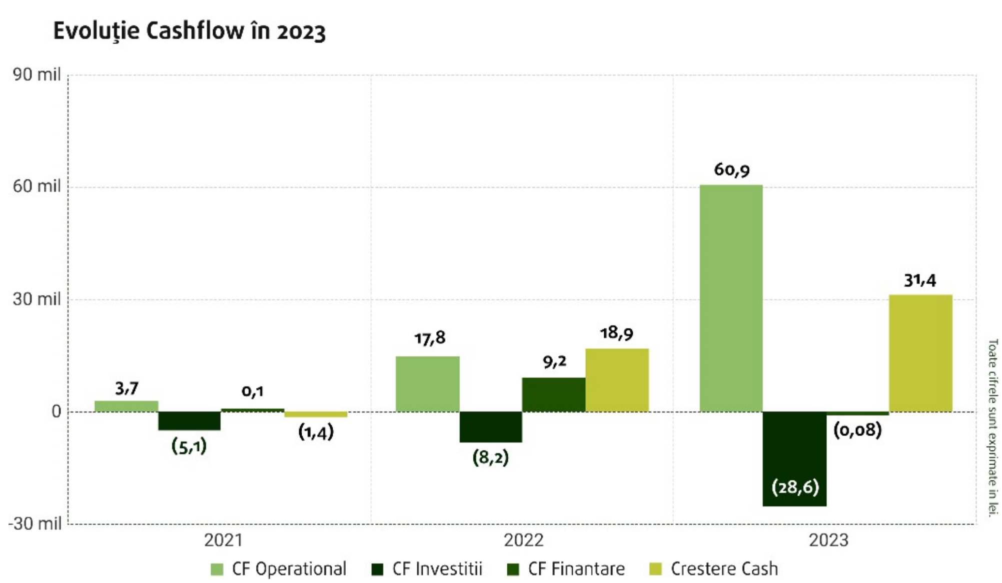
In addition to the capital resources attracted in the capital raising operations, the issuer has at its disposal other capital market funding mechanisms (bond issues) as well as short and long-term bank loans. At the time of writing this Universal Registration Document, the Company has 3 bond issues, issued in 2022 and 2023, in EUR and RON, tradable on the main market dedicated to fixed income instruments of the BSE (symbols: BNET26E, BNET27A and BNET28) totalling EUR 2 million (BNET26E) and RON 15 million (BNET27A & BNET28). All borrowed capital resources from bond issues have a long-term maturity (2026 - 2028).

8.2. An explanation of the sources and amount of the issuer's cash flows and a description of the cash flows.

The significant percentage of large projects with public sector beneficiaries (with strict annual budget execution), combined with the payment deadlines received from suppliers generated a historical cash from operations of RON 61 million - more than 3x higher than in 2022 (which was also a historical value at the time).

This development rather demonstrates the good commercial relationships with suppliers and the advantage of access to strategic projects, and confirms the Operating Profit or EBITDA values recorded last year. On the other hand, a part of about RON 36 million of the cash generated from operations was needed to balance the trade balance in Q1 2024 (supplier payables versus customer receivables).

Positive cash from operations allowed us to acquire companies and assets worth about RON 29 million, while cash from financing activities was relatively neutral and at the same time to increase the cash position at the end of the year to 40% of market capitalization - RON 70 million final cash position in 2023.



*Values in million RON

8.3. Information on the credit terms and funding structure of the issuer.

The bank lending structure of the Group is mainly made up of revolving overdrafts aimed at short-term financing of specific projects. On the date of this report, the Group has loans to finance its current activity, both in national currency and in euro, with the following financial institutions: ProCredit Bank, Banca Transilvania, BRD, OTP Bank, Unicredit Bank, Raiffeisen Bank as well as several non-cash cap products for the issuance of various types of bank guarantee letters contracted from Procredit Bank and Banca Transilvania.

ProCredit Bank

In July 2023, Dendrio Solutions SRL signed the conversion of the revolving credit line of 4.5 million lei (contracted since 2019 from ProCredit Bank) into a loan with monthly repayments. Repayment will be made over a period of 36 months and the interest is: ROBOR6M+3%. At the same time, the cash collateral deposit for this product was released.

In February 2020, Bittnet Systems converted the loan product amounting to RON 2,790,000 also contracted with ProCredit Bank from a revolving overdraft into a loan with monthly repayments of principal and interest. The new maturity of the loan was set for a period of 36 months and the interest rate remained unchanged, ROBOR 3M+2.5%. The last instalment of this loan was paid in February 2023.

Also in December 2020, the Group informed shareholders of the signing of a bank loan agreement by Dendrio Solutions with ProCredit Bank. The total amount of the facility was 5,000,000 lei and the purpose of the loan is to finance Dendrio Solutions' working capital and current activity. The maturity of the product was 36 months and the interest rate was ROBOR 3M+3% per year. The collateral for this loan product was: cash collateral deposit for 10% of the facility amount. The last instalment for this product was paid in December 2023.

In May 2023, Dendrio Solutions contracted from ProCredit Bank, an investment loan in the amount of RON 10.000.000, for a period of 7 years, with monthly repayments of principal and interest for the acquisition of the majority stake in Dataware Consulting SRL. The annual interest rate is ROBOR6M+2.50%. The guarantees provided are: chattel mortgage on Dendrio Solutions' accounts with ProCredit Bank, chattel mortgage on the shares acquired by Dendrio Solutions (51.13% of Dataware), guarantee from Bittnet Systems SA as co-signer and guarantee issued by the European Investment Fund for 60% of the loan amount as well as collateral cash deposit for the amount of RON 2.500.000.

In May 2023, Dendrio Solutions contracted a non-cash cap bank product from Procredit Bank in the maximum amount of RON 2,300,000. The validity period is 36 months. The product is intended for the issuance of various types of BGLs (bank guarantee letters for participation in tender procedures; performance guarantee letters, etc.). Dendrio uses this product in order not to tie up its own cash in issuing BGLs.

In October 2023 Top Tech SRL contracted a non-cash product from ProCredit Bank in the maximum amount of RON 1,400,000 for a period of 12 months with the possibility of extension. The cap is used in the current activity for the constitution of bank guarantees of participation in tender procedures or of good performance for commercial contracts requiring such instruments. Top Tech uses this product not to tie up its own cash in issuing SGBs.

Banca Transilvania (BTRL)

On 06.09.2022 Dendrio Solutions contracted a credit product in the form of a cap - investment loan - from Banca Transilvania in the maximum amount of 11.000.000 lei for the financing of 75% of the price of the transactions for the acquisition of shares of Top Tech SRL and 2NET Computer SRL. The investment loan has been contracted for a period of 7 years and is repayable monthly in constant annual instalments. The annual interest rate is variable and consists of the 3-month ROBOR index plus the Bank's fixed margin of 2.50%. The guarantees provided for this loan product are a chattel mortgage on the Dendrio Solutions accounts opened with Banca Transilvania, a chattel mortgage on the shares acquired in the two companies, a guarantee from Bittnet Systems as co-signer, a guarantee issued by the European Investment Fund. Dendrio Solutions made 2 drawdowns from this cap, during 2022, after signing the closing documents with the selling shareholders of the two target companies, Top Tech and 2NET Computer, paying the consideration for the shares. The 2 drawdowns amounted to RON 9,724,885 and the repayment of the loan is made over a period of 7 years.

On 20.10.2022, the issuer informed investors about the signing of a credit agreement with Banca Transilvania. The agreement is in the form of a cap/revolving overdraft facility in the amount of EUR 1,800,000 and was intended to finance the working capital and ongoing business of Dendrio Solutions. The maturity was initially set at 12 months with the possibility of extension and interest at EURIBOR 6M+2.15% per year. The Group's management chose in 2022 to explore the opportunity to borrow loans in foreign currency given the evolution of monetary policy interest rates, which led to higher interest costs on RON borrowings in the period 2020-2022, a trend that tends to reverse with Q3, 2023. In October 2023, Dendrio Solutions made the decision to put the balance it had drawn down/borrowed against this cap at that time (around EUR 900,000) and signed an additional product amendment with Banca Transilvania.

In December 2023, the extension and supplement of a loan product contracted by Dataware Consulting from Banca Transilvania was signed under the following conditions: Increase of the cap for working capital financing by RON 15,000,000 from RON 2,500,000 to RON 17,500,000. This banking product is used by Dataware for one-off financing of commercial contracts. The guarantees are: mortgage on bank accounts opened with Banca Transilvania, assignment of receivables resulting from the financed contracts and guarantee from Dataware Consulting's majority shareholder, Dendrio Solutions. The interest rate for this product is ROBOR3M+2.75% applied to the actual balance drawn from the cap. The period of use of the cap is 12 months from signature with the possibility of extension and the validity period is 24 months. The product is used on a revolving basis, through successive drawings, to provide the project pre-financing component - where applicable - for contracts with a long implementation cycle and involving the delivery of complex IT&C integration solutions.

Also in December 2023, Dataware Consulting signed an additional deed with Bnaca Transilvania for the additional amount of RON 3,000,000 to the non-cash cap for issuing bank letters of guarantee. The product is used in the current activity for the constitution of bank guarantees of participation in tender procedures or of good performance for commercial contracts requiring such security instruments. The company requested the bank to supplement the existing non-cash cap so that it would not be necessary to block its own cash in the guarantee instruments.

In October 2023 Dendrio Solutions contracted a non-cash product from Banca Transilvania in the maximum amount of RON 2,000,000 for a period of 12 months with the possibility of extension. The cap is used in the current activity for the constitution of bank guarantees of participation in tender procedures or of good performance for commercial contracts requiring such instruments. Dendrio uses this product not to tie up its own cash in issuing SGBs.

In October 2023 Top Tech contracted a non-cash product from Banca Transilvania in the maximum amount of RON 3,000,000 for a period of 12 months with the possibility of extension. The cap is used in the current activity for the constitution of bank guarantees of participation in tender procedures or of good performance for commercial contracts requiring such instruments. Top Tech uses this product in order not to tie up its own cash in issuing BGLs.

OTP Bank

In July 2023 the addendum for the extension of the revolving overdraft credit product for working capital financing between Dataware Consulting and OTP Bank was signed. The total amount of the facility is RON 1,500,000, the maturity is 12 months and the interest rate is ROBOR3M +2.5%.

Unicredit Bank

In February 2023 Elian Solutions signed the addendum to extend and supplement the loan product - revolving overdraft for working capital financing - contracted with Unicredit Bank. The agreement was extended for a period of 12 months and the cap was increased from RON 800.000 to RON 1.600.000 under the same conditions as the extension addendum signed in 2022, namely: interest rate: ROBOR3M+3%; maturity of the facility: February 2024; use of proceeds: to finance working capital and current activity. The structure of the guarantees consists of a chattel mortgage on the accounts of Elian Solutions SRL opened with Unicredit Bank, assignment of receivables and corporate guarantee letter issued by the majority shareholder Bittnet Systems SA. This product has been extended for a period of 12 months, the current maturity being February 2025.

Raiffeisen Bank

In August 2020, Equatorial Gaming contracted a credit facility from Raiffeisen Bank through the government's SME Invest program in the total amount of RON 495.000. The interest rate of the loan is ROBOR3M+2.5% per annum and the maturity is 36 months. The last instalment was paid in August 2023.

In November 2023 the addendum of extension of the credit facility that 2Net Computer had contracted with Raiffeisen Bank was signed. The new maturity is 12 months. The extension was made under the same conditions as the original agreement. The amount of the facility is RON 2,500,000 and is intended to finance the working capital and the current activity of the borrower.

BRD

In April 2023, an addendum was signed agreeing to extend the maturity of the Top Tech cap contracted from BRD by 12 months. The facility is worth RON 1,500,000.

On 26.04.2022 a new credit agreement was signed between Top Tech and BRD whereby the bank made available to the borrower a cap amounting to RON 3,000,000 in total. The new maturity of the cap is 07.04.2025. All Top Tech's loan products are contracted with BRD and are for working capital financing.

In addition to credit resources, the issuer finances its activity and expansion through capital market instruments. In Q1 2023, we successfully completed the 5th and largest capital increase in the company's history, making Impetum Group a significant shareholder. We have thus surpassed the threshold of RON 100 million in funding attracted through capital market mechanisms in the 8 years since listing (RON 57 million equity and RON 58 million borrowed capital). During 2023, we repaid at maturity three bond issues (BNET23C, BNET23 and BNET23A), bringing the total to 5 issues repaid at maturity or early. Also in 2023, for the first time for the Romanian capital market, we conducted two public offerings of corporate bonds (BNET27A and BNET28) which were particularly successful: oversubscription of over 1.5x, diversity of investors and remarkable liquidity after listing. As a result of the two bids, two committed grants totalling RON 15 million were obtained.

The Company also has a EUR 2 million denominated bond issue tradable on the BSE under the symbol BNET26E. All bond issues are repayable at long-term maturity (period 2026 - 2028). The interest rates at which the issuer borrowed through these capital market instruments range from 9% (BNET26E) , 9.6% (BNET28) and 10% (BNET27A) depending on the market context, monetary policy rates or the inflation situation at the time of the funding round. At the time of writing, the issuer has commenced procedures for a new offer for sale of corporate bonds (under the symbol BNET28A) to finance the working capital and development plans of the issuer and its group. The proposed interest rate is fixed at 9% per annum for 4.5 years.

8.4. Information on any restrictions on the use of capital resources that have materially affected or may materially affect, directly or indirectly, the operations of the issuer.

Not applicable. There are no restrictions on the issuer's use of capital resources

8.5. Information on the sources of financing expected to be needed to meet the commitments set out in point 5.7.2.

The income and expenditure budget for the year 2024 provides for a maximum amount of RON 10 million for investments, but which will be allocated by management to investments only if management considers that the investments in question will not generate a cash flow problem for the Issuer. None of the investments already started pose financing problems for the Issuer, as they can easily be financed from existing cash resources. Regarding the M&A program with a ceiling of RON 200 million, the Issuer will finance each of the new transactions, in case a final deal is reached, either by attracting co-investment partners as it happened in the period 2022-2023, or through dedicated bond issues, or from its own resources, as we did for the m&a transactions of 2021.

Section 9: Regulatory framework: market on which shares and bonds are traded

9.1. A description of the regulatory environment in which the issuer operates and which may significantly affect its business,
together with information about any governmental, economic, budgetary, monetary or political policies or factors that have materially affected or may materially affect, directly or indirectly, the operations of the issuer.

The issuer is governed by Romanian law. The regulatory framework within which the issuer operates includes national legislation as well as specific EU legislation, including but not limited to:

- Law 31/1990 on companies, republished, with subsequent amendments and additions; Law
- 24/2017 on issuers of financial instruments and market operations; FSA Regulation 5/2018
- on issuers and operations with securities; EU Regulation 1129/2017;
- Delegated Regulation (EU) 2019/979; Delegated
- Regulation (EU) 2019/980;
- REGULATION (EU) No 596/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of April 16
- 2014 on market abuse (Market Abuse Regulation).

9.2 . Specification of the markets in Romania and other countries where the securities issued by the company are traded.

As of June 3, 2020, the shares issued by the company are traded on the Bucharest Stock Exchange, on the Regulated Market, Standard category, symbol BNET, ISIN code ROBNETACNOR1. After this date, BNET shares were traded on the AeRO-SMT BVB market from 15.04.2015.

The increased liquidity of BNET shares meant that, only 3 months of trading on BSE Main Market, our group's shares were included in several indices: BET-XT, BET-XT-TR, BET-BK, as well as in extended main BET index - BETPlus.

In 2023, the average daily value of transactions with BNET shares amounted to about RON 90 thousand per trading session - RON 21.4 million in the regular market and another RON 974 thousand in the deals market. A volume of almost 78.6 million BNET shares was traded, representing 12.4% of the total shares registered as of December 31, 2023. At the most recent General Meeting in January 2023, the number of shareholders on the register of shareholders since the date of registration exceeded 5,000 natural and legal persons (up from approximately 4,300 shareholders at the beginning of the year). At the end of 2023, the market capitalisation of the Bittnet Group amounts to RON 174 million.

BNET23, BNET23A, BNET23C bond issues - fully repaid in 2023:

During 2023, Bittnet bonds benefited from increased liquidity (especially new issues) for this type of fixed income instrument. The 3 issues, previously listed on the AeRO-SMT- Bonds market and repaid during 2023, totalled exchanges of RON 1.15 million, while BNET23C was repaid as early as January 2023 and BNET23 and BNET23A in July and December:

- BNET23: 4.387 BNET23 bonds changed holders in 2023 at an average trading price of 100.19% of face value and a total trading value of RON 438 thousand. The last coupon and face value of the issue was redeemed in July 2023
- BNET23A: 4.040 BNET23A bonds changed holders in 2023, i.e. 4.1% of the total issue volume at an average price of 100.63% of face value and a total transaction value of RON 406 thousand. The last coupon and face value of the issue was repaid in December.

- BNET23C: 3,097 BNET23C bonds changed holders in less than a month until the January 2023 maturity, i.e. 3% of the total volume at an average price of 99.4% of the nominal value and a total exchange value of RON 308 thousand. In January 2023, the Company repaid at maturity the nominal value of the BNET23C issue, totalling RON 10 million, and paid the last coupon related to them.

BNET26E, BNET27A, BNET28 bond issues in 2023:

At the end of 2022, Bittnet conducted a private placement sale of euro-denominated corporate bonds (the first of its kind in the issuer's history) raising EUR 1,961,144 from 53 individual, corporate and professional investors. The maturity of the BNET26E is in June 2026. From 07.03.2023 BNET26E bonds are tradable on the Regulated Market administered by BSE. 3,987 BNET26E bonds changed hands in 2023, in the approximately 10 months since listing, i.e. 19% of the total issue volume at an average price of 104% of par value and a total transaction value of EUR 414 thousand (approx. RON 2 million). Interest is 9% per annum payable quarterly through the Central Depository.

In May-June 2023, Bittnet carried out a public offering of bonds (the first offering of its kind on the BSE), raising RON 5 million from BSE investors. The issue was made under the symbol BNET27A, and from 19.07.2023 is traded on the reregulated market BSE. In less than half a year, 13,782 bonds (i.e. 27.5% of the total issue) were traded at an average price of 105% of face value, totalling transactions worth RON 1.44 million. Interest is 10% per annum, payable quarterly through the Central Depository. The maturity of the BNET27A issue is in June 2027.

In December 2023, we conducted a new bond issue, through the public offer and price range mechanism (similar to BNET27A) whereby the issuer raised an amount of RON 10 million. The BNET28 issue date was 15.12.2023 and the maturity date was 15.06.2028. Interest is 9.6% per annum, payable quarterly via the Central Depository. From 02.02.2024 BNET28 bonds are tradable on the BSE Regulated Market.

The issuer is up to date with the payment of all coupons related to the bond issues.

9.3. Description of the company's dividend policy

The General Meeting of Shareholders adopts annually the decision on the allocation of profits. The Company's strategy is not to pay dividends in the following financial year. Bittnet is active in a very dynamic field – Information Technology . So far we have managed to record significant growth rates, always being profitable both in terms of EBITDA and operating profit.

On the other hand, the current size of the company, coupled with the consolidation trend across all industries in the global economic landscape makes us believe that the only way we can go is 'higher and higher'. That is why we intend to continue to invest any available resources in the development of the company.

From the shareholders' point of view, the 'full profit reinvestment' policy also means a 'no dividend' policy. We intend to propose this reinvestment policy to the Shareholder Meeting as long as the growth prospects of the company generally outweigh the growth prospects of the market. In the long run, the value that the company creates is reflected in the value of the company itself – its stock price. The management considers that we can continue to maintain a growth rate above that of the general market for a significant period of time.

Our current operational capacity is such that we can extract profits from the accelerated growth in turnover. This is the intention of our management: to keep growing the turnover in similar 'gross margin' profitability conditions. In this way, the Company will generate more cash to cover a generally fixed cost structure, essentially 'additional gross margin' contributing almost entirely to the Company's gross profit.

9.4 Indication of dividends due/paid/accrued in the last 3 years and, if applicable, the reasons for any decrease in dividends over the last 3 years.

According to the dividend policy, in 2016, 2017, 2018, 2019, 2020 and 2021 the general meeting decided to reward the shareholders by capitalizing the company's profits and granting free shares - one operation each year. In 2022 and 2023, no similar operations were carried out.

9.5. Description of any activities of the company for the purchase of its own shares.

At the EGMS in April 2023, the appropriateness of carrying out share buybacks in the market was submitted for testing and the Board of Directors was mandated to determine the appropriateness and timing of carrying out such operations and to take the necessary steps. During 2023 no buybacks of own shares were initiated.

9.6. If the commercial company has subsidiaries, the number and nominal value of shares issued by the parent company held by the subsidiaries.

None of the group companies hold shares or bonds issued by Bittnet.

9.7. If the commercial company has issued bonds and/or other debt securities, the manner in which the commercial company discharges its obligations to the holders of such securities.

The Company is current with coupon payments to bondholders for all bond issues made through the Central Depository system. Between 2016 and 2024, since the listing of the first bond issue, the company has paid more than RON 12 million to more than 2,000 bondholders, according to the payment schedules for each bond issue.

Section 10: Information on trends

10.1. A description

(a) the main trends affecting production, sales and stocks, costs and selling prices from the end of the last completed financial year to the date of the registration document;

Since 2020, the Issuer has felt the effect of the following socio-economic trends:

1 **Increased competition for human resources** ("warming up of the labour market"). This trend continues for several years and it is particularly obvious in the IT industry, in which the Issuer operates. Especially in the IT services industry, anyone can provide services from anywhere to customers in any other part of the world. This makes the Romanian market of IT experts subject to global competition. Thus, there are multinational companies that have offices in Romania, but also freelancing platforms that accept Romanian citizens as members of the platform. Both alternatives provide more options for qualified staff and they can choose on which one they want to provide their services, resulting in an increase in the price for human resources. From an accounting point of view, in the case of the Issuer and the group companies this leads to an increase in the cost of staff and subcontractors. From an operational point of view, this leads to the increase in difficulties in finding and attracting skilled staff, but also the need to pay time, attention and material resources to create a pleasant and attractive job. These are internal management priorities.

2. **Commoditization of IT services.** This trend leads to lower sales prices for the Issuer's products and services, which in conjunction with the increase in the cost of human resources leads to a pressure on the gross margin (revenues minus direct costs). In addition, it gives customers a preference to pay only what they consume, moving away from subscriptions or major investments in advance.

3. **Gig Econnomy ("Uberisation").** The emergence and development of this trend has partly relieved the pressure exerted by the Issuer on fixed costs (in that the personal income of the Issuer's collaborators results from several sources and thus there is no pressure for us) but the need for development of operations on a larger scale has also increased, so we can take advantage of this trend. We consider it essential for us to continue the policy of accelerated growth of the Issuer's size in the following years, in order to ensure access to sufficient human resources.

(b) any significant change in the financial performance of the group since the end of the last financial year for which financial information has been published up to the date of the registration document, or an appropriate negative statement.

Not applicable. No significant changes were found in the financial performance of the group since the end of the last financial year and until the publication of this Document.

10.2. Information on any known trend, uncertainty, requirement, commitment or event that presents a reasonable likelihood of materially affecting the issuer's prospects, at least for the current financial year.

Not applicable.

Section 11: FORECASTS OR ESTIMATES

Where an issuer has published a profit forecast or estimate (which is still current and valid), that forecast or estimate is included in the document. If a profit forecast or profit estimate has been published and is still outstanding, but no longer valid, then provide a statement to that effect and an explanation of why such forecast or estimate is no longer valid

Not applicable. The Issuer shall not make forecasts regarding profitability. The Issuer operates annually with a Revenue and Expenditure Budget approved by the General Shareholder Meeting. The BVC for 2024 will be submitted for shareholder approval at the GMS scheduled for April 25, 2024, is as follows:

Bittnet CONSO [RON]	2024 E
Income from contracts with customers	430,695,290
Direct expenses (COSTS OF SALES)	307,558,466
=Gross margin	121,136,824
% Gross margin	28,1%
Indirect expenses	57,161,992
Selling/distribution expenses	20,661,795
Human Resources - Indirect Costs	24,429,460
Other administrative	12,070,736
EBITDA	24,971,634
% EBITDA	5,8%
Amortization	10,111,156
=EBIT	14,860,478
SOP & M&A costs	1,341,970
Financial Result	(7,571,016)
=Gross profit	5,947,492
Current income tax	951,599
= Net profit	4,995,893
% Net result	1,2%

In all documents published by companies listed on capital markets around the world, in terms of "Revenue and Expenditure Budget", it is stated that the figures presented are not a promise or guarantee and the company cannot be held responsible for not meeting targets. When a company sets its income and expenditure budget for a particular year, it takes into account internal and external factors that it is aware of at the time the budget is set. The last four years have brought companies into extremely difficult situations where they have had to adapt and which could not have been predicted. Until the outbreak of the COVID-19 pandemic in Romania, the only "problems" that companies had to overcome or adapt to were related to the uncertainties at the political and implicit legislative level.

Therefore, the new reality, in which the problems are not just in a country's "internal kitchen", creates the following dilemma for all managers: do we set goals that seem difficult to achieve at first glance, but for which at the time of setting them we have indicators and estimates based on the reality of that moment, or do we publish an extremely tempered budget, which we know we can exceed, but at the same time bring the company into a comfort zone and severely reduce its chances for a more prosperous future for all involved.

At Bittnet Group, we have always preferred to take on bold targets, built on the conservative assumption that it will be harder for us to produce the same dollars next year as this year - so we will have to work harder. Each year, some activities or companies exceed plans and others are affected by various elements outside management's control, and as a result do not achieve the targets published at the beginning of the year.

We will continue this approach as it has allowed us to continuously grow at various rates well above the industry average, albeit not consistently and easily predictable. Perhaps the most relevant example is 2020, followed by 2021. In 2019 we recorded our only net loss year in history due to the hardship generated in H1 of efforts to integrate its largest acquisition to date - Crescendo. In 2020, a year marked by lockdowns and company closures, the other companies in the BET-XT index saw revenue declines and halving profits. Bittnet recorded an increase in revenue and profit, from minus 4 to plus RON 1 million. Because the revenue target still contained RON 1 million of margin (and therefore profit), investor perception was that Bittnet did not deliver what it budgeted for and not that the group had delivered a RON 5 million profit increase in an extremely difficult year. This was repeated in 2021, when operating profit continued to grow and financial profit doubled. In this situation, the perception was that there was too much financial versus operational profit.

For 2024 the indicative budget is RON 430 million turnover and RON 14.8 million operating profit (RON 24.9 million EBITDA).

Section 12: Administrative, Management and Supervisory Bodies and Senior Management

12.1 Name, work address and position in the issuing company of the following persons, and their principal activities outside the issuing company, if those activities are material to the issuing company.

According to Law 24 / 2017, art. 94, letter (b), director means "any member of the board of directors, as well as any director, in the case of the unitary management system, and any member of the supervisory board, as well as of the management board, in the case of the dual management system, according to Law no. 31/1990, republished, with subsequent amendments and additions, including in all cases in which he has been appointed, the general manager and, if this position exists, the deputy general manager"

Thus, the Issuer has determined that the following roles and persons meet the requirements of the law:

- Members of the Board of Directors, including the President
- and CEO
- CFO

These persons are listed below:

Board of Directors (BoD) of the Issuer

The management of the Issuer, at the level of the first 4 months of the fiscal year 2023, was carried out by a Board of Directors (BoD) consisting of 3 members, elected by the General Meeting of Shareholders on 29.01.2020 for a term of 4 years. Administration by a 3-member Board of Directors has been carried out until the date of the General Meeting of Shareholders on 27.04.2023. Subsequent to this date, the Issuer was managed by a 5-member Board of Directors, with the addition of two new non-executive directors following elections. The terms of office of the two new members have been aligned with the terms of office of the members elected at the GMS in January 2020. Thus, at the end of the 2023 fiscal year, the Company was managed by the following managers:

- Ivylon Management SRL through legal representative, Mr. LOGOFATU MIHAI ALEXANDRU CONSTANTIN – Managing Director and Chairman of the Board;
- Mr. ANGHEL LUCIAN CLAUDIU – Non-Executive Director and Vice-Chairman of the
- Board; Mr. LOGOFATU CRISTIAN ION – Non-Executive Director;
- Dynamic Data Drawings SRL through legal representative, Mrs. MANIȚIU ANCA – Non-Executive Director;
- Mr. VIZENTAL RUDOLF PAUL – Non-Executive Director.

On 25.01.2024, the General Meeting voted on the composition of the new Board of Directors, taking into account approaching expiry of the mandates. Following the elections, the new Board of Directors is composed of the following members, elected for a 4-year term:

- Ivylon Management SRL through legal representative, Mr. LOGOFATU MIHAI ALEXANDRU CONSTANTIN – Managing Director and Chairman of the Board;
- Mr. ANGHEL LUCIAN CLAUDIU – Non-Executive Director and Vice-Chairman of the Board;
- Eccleston Square Capital Limited represented by Mr. CIUCU BOGDAN-ANDREI – Non-Executive Director
- Mr. CONSTANTINESCU GABRIEL-CLAUDIU – Non-Executive Director
- Quercus Solutions SRL represented by Mr. MICHEȘ PAUL – Non-Executive Director

Directors

The executive management of the Issuer is delegated to the directors, according to the articles of incorporation and the decision of the Board of Directors, as follows:

- LOGOFATU Mihai – CEO – for a new 4-year term starting on 16.03.2024
- STANESCU Adrian – CFO – for a new 4-year term starting on 16.03.2024

Chairman of the BoD and CEO

Following the transition from a sole manager to a management structure consisting of a Board of Directors (BoD) in January 2020 and by Resolution no. 1 of 12.02.2020, the Board of Directors appointed the Chairman of the BoD, Ivylon Management SRL (Romanian legal entity with registered office in Bucharest, Drumul Sarii no. 45, cam. 1, sector 6, registered with the Trade Register Office attached to the Bucharest Court under serial no. J40/7852/2019, sole registration code 41260660), a company with object of activity
‚business management and consulting". The company was elected by the shareholders as a member of the Board of Directors taking into consideration the resume of Mr.LOGOFATU MIHAI-ALEXANDRU-CONSTANTIN – Romanian citizen.

On 25.01.2024, in view of the approaching expiry of the terms of office of the members of the Board of Directors elected by the General Meetings of 29.01.2020 and 27.04.2023 respectively, the General Meeting elected the composition of the new Board of Directors as detailed in item 12.1 above. At the first meeting of the new Board of Directors, on 30.01.2024, the members of the Board of Directors elected the Chairman of the Board of Directors, Ivylon Management SRL (Romanian legal entity with registered office in Bucharest, Drumul Sării no. 45, cam. 1, sector 6, registered in the Trade Register Office attached to the Bucharest Court under serial number J40/7852/2019, sole registration code 41260660), a company with the object of activity 'business management and consulting'. The company was elected by the shareholders as a member of the Board of Directors in view of the CV of Mr. LOGOFĂTU MIHAI-ALEXANDRU- CONSTANTIN – Romanian citizen

The business address of the Chairman of the Board of Directors is the mailing address of the Issuer, Bucharest, Sector 5, Strada Serg. Ion Nuțu, no. 44, One Cotroceni Park, Corp A and Corp B, Etaj 4, 050691. Mr. Logofătu Mihai is a co-founder of the Issuer and at the time of writing held 8.7754% of the shares issued by the Issuer and a number of 300 BNET26E bonds, representing 1.45% of the total issue. At the same time, Mr. Mihai Alexandru Constantin LOGOFĂTU also serves as CEO.

The issuer declares that Mr. LOGOFĂTU MIHAI-ALEXANDRU-CONSTANTIN, who is Chairman of the Board and CEO:

i. has not been a member of an administrative, management or supervisory body or a general partner at any time in the last 5 years in another company;
ii. has not been convicted of fraud in at least the last five years;
iii. has not, within the last five years, been associated with matters relating to any bankruptcy, receivership or liquidation proceedings; and
iv. has not been criminalised and/or sanctioned by statutory or regulatory authorities. At the same time, he has not been prevented by a court from acting as a member of an administrative, management or supervisory body of an issuer or from intervening in the management or conduct of the affairs of an issuer during at least the last five years.
v. The CEO has no other activities outside the Issuer that have a significant impact for the issuing company.

The Chairman of the BoD acts under a mandate contract as per the GMS Decision of 25.01.2024.

Education:

- 2012 PhD in Management– the University of Craiova
- 2009 Master degree in Computer Science – University of Bucharest
- 2007 Bachelor degree in Management – Academy of Economic Studies – Bucharest

Professional experience:

- 2007 – Present: Bittnet Systems, CEO, Founder
- 2003 – Present: Academia Credis Bucuresti, Manager
- 2001 – 2003 Cisco Academy of the University of Bucharest, Instructor

Vice-Chairman and independent member of the Board

The elected Vice-Chairman of the Board was Mr. ANGHEL LUCIAN CLAUDIU – Romanian citizen.

The work address of the Vice-Chairman of the Board of Directors is the correspondence address of the Issuer, Bucharest, Sector 5, Strada Serg. Ion Nuțu, no. 44, One Cotroceni Park, Corp A and Corp B, Etaj 4, 050691. At the time of writing this document, Mr. Anghel holds 0.8622% of the issuer's shares and 2.04% of BNET26E bonds, as well as 11.1360% of BNET27A bonds and 5.941% of BNET28 bonds.

The issuer declares that Mr. ANGHEL LUCIAN CLAUDIU who acts as Vice President of the Board of Directors:

i. has not been convicted for fraud during the least the last five years;
ii. has not been involved, during the last five years, in issues related to any bankruptcy, seizure or liquidation procedure; and
iii. has not been incriminated and/or sanctioned by the statutory or regulatory authorities. Moreover, he has not been restricted by a court to act as a member of an issuer's administration, management or supervisory body or from intervening in the management or conduct of an issuer's business during the last five years.
iv. Mr. Anghel was Chairman of the Board of Directors of the Bucharest Stock Exchange during January 2012 – January 2020.

Currently, Mr. Lucian Anghel is Vice-Chairman of Libra Bank, non-executive member in the Board of Directors of Teraplast SA and of FORT SA (member of Bittnet Group).

Mr. Anghel shall not carry out activities that would have a significant impact on the Issuer.

Education:

- 2006, HEC Montreal: Business Administration and Management, General
- 2003, Georgetown University: Postgraduates Program, Field Of StudyBank Risk Management
- 2003, Bucharest Academy of Economic Studies: Doctor of Philosophy – PhD, Managerial Economics
- 1997, Bucharest Academy of Economic Studies: Master's degree, Information Technology
- 1996, Bucharest Academy of Economic Studies: Bachelors Degree Information Sciences and Support Services

Professional experience:

- 2020 – 2022: CEO, Member of the BoD, Banca Romaneasca
- 2012 – 2020 : Chairman, Bucharest Stock Exchange
- 2015 – 2019: Acting CEO , BCR Banca pentru Locuinte
- 2012 – Present: Professor Faculty of Management, ASE Bucharest
- 2012 – 2015: Acting CEO, BCR Pensii

- 1996 – 2012: BCR, various positions, including Chief Economist

The Vice-Chairman of the BoD carries out his activity on the basis of a mandate contract according to the GMS Resolution of 29/01/2020

Non-executive member of the Board of Directors

The non-executive BoD member of the Issuer is Eccleston Square Capital Limited (a legal entity registered in the United Kingdom of Great Britain and Northern Ireland) represented by Mr. CIUCU BOGDAN-ANDREI , dual Romanian and British citizen.

The work address of Mr. Ciucu Andrei is the correspondence address of the Issuer, i.e. Bucharest, Sector 5, Strada Serg. Ion Nuțu, no. 44, One Cotroceni Park, Corp A and Corp B, Etaj 4, 050691. At the time of writing this document, Mr. Ciucu does not hold financial instruments issued by Bittnet Systems SA.

The Issuer declares that Mr. Ciucu, holding the membership of the BoD:

- In the last 5 completed financial years, he has not been a member of the Board of Directors or supervision of other companies.
- has not been convicted for fraud during the least the last five years;
- has not been involved, during the last five years, in issues related to any bankruptcy, seizure or liquidation procedure;
- has not been incriminated and/or sanctioned by the statutory or regulatory authorities. He has also not been prevented by a court from acting as a member of an administrative, management or supervisory body of an issuer or from intervening in the management or conduct of the affairs of an issuer during at least the last five years.

Mr Ciucu does not carry out other activities that have a significant impact for the issuing company.

Education:

- 2022-2023: Harvard Medical School: Leading Transformation in Healthcare – postgraduate studies 2005-
- 2006: The London School of Economics & Political Sciences: Masters in Finance and Accounting
  2002 – 2005: Ecole Normale Supérieure de Cachan, Paris: Diplome des Grandes Ecoles (in Finance and
- Economics)
  1999 – 2002: Academy of Economic Studies, Faculty of Finance, Insurance, Banking and Stock Exchange,
- Bucharest – bachelor of finance

Professional experience:

- Oct 2023–present: CEO Dental Elite (co-founder in 2018)
- Feb 2015–Sep 2023 Portfolio Manager at Chenavari Investment Managers, London
- Sep 2011–Feb 2015 – Senior Investment Analyst at Chenavari Investment Managers, London
- July 2006–Aug 2011 – Associate at Financial Entrepreneurs Group (M&A and Leveraged Finance), Citi Investment Banking, London
- Oct 2004–Sep 2005 – Analyst at EuroTitrisation (BNP Paribas, Calyon), Paris

Mr Ciucu works on the basis of a mandate contract according to the GMS Resolution of 25.01.2024.

Non-executive member of the Board of Directors

The non-executive member of the Board of Directors of the Issuer is Mr. CONSTANTINESCU GABRIEL-CLAUDIU, Romanian citizen.

Mr. Constantinescu's work address is the correspondence address of the Issuer, i.e. Bucharest, Sector 5, Strada Serg. Ion Nuțu, no. 44, One Cotroceni Park, Corp A and Corp B, Etaj 4, 050691. At the time of drafting this document, Mr. Constantinescu held no financial instruments issued by Bittnet Systems SA.

The Issuer declares that Mr. Constantinescu, holding the capacity of member of the BoD:

- In the last 5 completed financial years, he has not been a member of the Board of Directors or supervision of other companies.
- has not been convicted for fraud during the least the last five years;
- has not been involved, during the last five years, in issues related to any bankruptcy, seizure or liquidation procedure;
- has not been incriminated and/or sanctioned by the statutory or regulatory authorities. He has also not been prevented by a court from acting as a member of an administrative, management or supervisory body of an issuer or from intervening in the management or conduct of the affairs of an issuer during at least the last five years.

Mr Constantinescu does not carry out other activities that have a significant impact for the issuing company.

Educatio

- 2006, Bucharest Academy of Economic Studies, PhD: Economic Data Cryptography and Polymorphic Engines
- 1999, Bucharest Academy of Economic Studies, Master's: Management Information Systems
- 1998, Bucharest Academy of Economic Studies, Bachelor's: Economic Informatics

Professional experience:

- 2022 – Present: Qinshift Czechia, SVP Delivery Operations 2018 –
- 2022: Endava (NYSE: DAVA), Regional Manager CE
- 2016 – 2018: Endava (NYSE: DAVA), Delivery Unit Manager Bucharest & Pitesti
- 2012 – 2016: Endava (NYSE: DAVA), Delivery Manager & Head of Project Management Bucharest
- 2008 – 2012: Kepler Engineering, CEO 2004 – 2007: Kepler Rominfo, Project Director (Energy Business) 2002 –
- 2004: Danubius, Software Development Director
- 2001 – 2002: Totalsoft, Project Manager
- 1999 – 2001: Beler Soft / Crinsoft, Project Manager & Programmer Analyst
- 1998 – 1999: Kepler Rominfo, Analyst Programmer 1997 – 1998: Eastern Duty Free, Programmer Analyst 1994
- – 1997: Various, Programmer / IT Specialist

Mr. Constantinescu works under a mandate contract according to the GMS resolution of 25.01.2024.

Non-executive member of the Board of Directors

The non-executive member of the Board of Directors of the Issuer is Mr. MICHEȘ PAUL, Romanian citizen.

The work address of Mr. Micheș is the correspondence address of the Issuer, i.e. Bucharest, Sector 5, Strada Serg. Ion Nuțu, no. 44, One Cotroceni Park, Corp A and Corp B, Etaj 4, 050691. At the time of writing this document, Mr. Micheș does not hold financial instruments issued by Bittnet Systems SA.

The issuer declares that Mr. Micheș, who is a member of the Board of Directors:

- In the last 5 completed financial years, he has not been a member of the Board of Directors or supervision of other companies.
- has not been convicted for fraud during the least the last five years;

- has not been involved, during the last five years, in issues related to any bankruptcy, seizure or liquidation procedure;
- has not been incriminated and/or sanctioned by the statutory or regulatory authorities. He has also not been prevented by a court from acting as a member of an administrative, management or supervisory body of an issuer or from intervening in the management or conduct of the affairs of an issuer during at least the last five years.

Mr. Micheș does not carry out any other activities that have a significant impact on the issuing company.

Educatio

- Master of Business Administration Programme – Open University Business School, UK
- Bachelor's degree in Electronics, Faculty of Electronics and Telecommunications, Polytechnic University of Bucharest

Professional experience:

- March 2021 – present: Member of the BoD & Strategy Advisor – Quercus Solutions October
- 2010–October 2020: Country General Manager – Tech Data/Avnet Romania November 2009–
- September 2010: CEO – ScopComputers SRL, Romania
- June 2007 – November 2009: EMEA Business Development Manager – Microsoft Ltd., UK
- January 2006 – June 2007: EMEA Sales & Marketing Manager – Microsoft Ltd., UK
- December 1996 – January 2006: SMS&P Sales Director – Microsoft Romania & South East Europe June
- 1994 – December 1996: Senior Sales Representative – Arexim SA
- April 1992 – June 1994: Technical Support Director – A&C International

Mr. Micheș operates under a mandate contract according to the GMS resolution of 25.01.2024.

CFO

The Chief Financial Officer of the Issuer is Mr. Stănescu Adrian Victor, Romanian citizen.

The work address of Mr. Stănescu Adrian is the correspondence address of the Issuer, Bucharest, Sector 5, Strada Serg. Ion Nuțu, no. 44, One Cotroceni Park, Corp A and Corp B, Etaj 4, 050691. At the time of drafting this document, Mr. Stănescu holds 0.7018% of the shares issued by the Issuer.

The Issuer declares that Mr. STANESCU ADRIAN VICTOR, who acts as CFO:

i. In the last 5 completed financial years, Mr. Adrian Stanescu was a member of the board of directors or supervisor of the following companies: Netcity Telecom S.A., Certsign S.A., UTI Grup S.A.
ii. has not been convicted for fraud during the least the last five years;
iii. has not been involved, during the last five years, in issues related to any bankruptcy, seizure or liquidation procedure;
iv. has not been incriminated and/or sanctioned by the statutory or regulatory authorities. He has also not been prevented by a court from acting as a member of an administrative, management or supervisory body of an issuer or from intervening in the management or conduct of the affairs of an issuer during at least the last five years.

Mr. Stanescu shall not carry out activities that would have a significant impact on the Issuer.

Education:

- 2013 - CFA program (Chartered Financial Analyst), Level III
- 2008 – Bachelor's Degree, Faculty of Electronics, Telecommunications and Information Technology ('ETTI'), Polytechnic University, Bucharest

- 2008 – Bachelor's Degree, Faculty of Finance, Insurance, Banking and Stock Exchange ('FABBV'), Bucharest Academy of Economic Studies ('ASE')

Professional experience:

- 2018 – present: CFO, Bittnet Group;
- 2014 – 2018: Chief Financial Officer / CFO, UTI Grup S.A.
- 2012 – 2014: Deputy Economic Director, UTI Grup S.A.
- 2012 – Treasury Manager, UTI Grup S.A.
- 2008 - 2012 – Customer Relations Manager, BCR, Directorate "Group Large Corporates"

Currently, Mr. Stanescu Adrian operates on the basis of a 4-year mandate contract, starting from 16.04.2024.

12.2. Administrative, management and supervisory bodies and senior management conflicts of interests

Not applicable. There is no conflict of interest between the obligations to the Issuer of any of the persons referred to in paragraph 12.1 and their private interests and other obligations. There is no information about any arrangement or agreement with the principal shareholders, customers, providers or other persons according to which any of the persons referred to in point 12.1 has been chosen as a member of an administrative, management or supervisory body or Member of senior management. There is no restriction accepted by the persons referred to in paragraph 12.1 on the transfer, within a certain period of time, of the issuer's securities held by them.

Until 29.01.2024, Mr. Logofătu Cristian Ion, co-founder of the Issuer, was a member of the Board of Directors of the Issuer. Logofătu Cristian Ion and Logofătu Mihai Alexandru Constantin, the founders of the company, are brothers.

12.3 Declaration on disputes concerning leaders

None of the persons mentioned in section 12 has been involved in litigation or administrative procedures in the last 5 years, litigation related to their activity within the Issuer, as well as those related to the respective person's ability to perform their duties within the Issuer.

Section 13: Remuneration and benefits

For the last completed financial year and for all persons referred to in point 12.1, first paragraph letters (a) and (d), the amount of remuneration paid (including any conditional or deferred remuneration) and benefits in kind granted by the issuer and its subsidiaries for services of any kind rendered for their benefit by the person concerned. That information must be provided on an individual basis unless individual disclosure is not required in the issuer's home country and is not otherwise publicly disclosed by the issuer.

The management of the Issuer, at the level of the first 4 months of the fiscal year 2023, was carried out by a Board of Directors consisting of 3 members, elected by the General Meeting of Shareholders from 29.01.2020 until the date of the General Meeting of Shareholders on 27.04.2023. Subsequent to this date, the Issuer was managed by a 5-member Board of Directors, with the addition of two new non-executive directors following elections. The mandates of the two new members were aligned with the mandates of the old members. Thus, at the end of the 2023 fiscal year, the Company was managed by the following managers:

- Ivylon Management SRL through legal representative LOGOFATU MIHAI ALEXANDRU CONSTANTIN – Managing Director and Chairman of the BoD;
- ANGHEL LUCIAN CLAUDIU – Non-Executive Director and Vice-Chairman of the Board;
- LOGOFATU CRISTIAN ION – Non-Executive Director;
- Dynamic Data Drawings SRL through legal representative MANIȚIU ANCA – Non-Executive Director;
- VIZENTAL RUDOLF PAUL – Non-Executive Director.

With the extension of the Board of Directors to 5 members, the General Assembly of 27.04.2023 also voted the remuneration policy as follows:

i. A fixed remuneration for the year, amounting to RON 150,000 gross for each non-executive member of the Board of Directors, with the exception of the Chairman; this remuneration is prorated according to the period of the year during which the person was a member of the Board of Directors.

ii. A fixed remuneration for the whole year, amounting to RON 360,000 gross for each executive member of the Board of Directors except for the Chairman; this remuneration is prorated according to the period of the year during which the person was a member of the Board of Directors.

iii. A fixed remuneration for the whole year, amounting to RON 645,000 gross for the Chairman of the Board of Directors if the person is an executive director or RON 200,000 gross if the person is a non-executive director; this remuneration is pro-rated according to the period of the year in which the person was a member of the Board of Directors

In accordance with the remuneration policy, members of the Board of Directors may be paid, in addition to the fixed remuneration set out above, other amounts for participation in the company's advisory committees, depending on the number of meetings or the number of committees on which they participate. At the 2023 level, no additional amounts were paid for participation in advisory committees.

According to the approved remuneration policy, for the previous fiscal year - 2023 - Ivylon Management SRL received a total gross remuneration of RON 645,000. There are no other benefits.

For the previous fiscal year – 2023 – Mr. Cristian Ion Logofătu received a total gross remuneration of RON 150.000. For the year 2023, Mr Cristian Ion Logofatu has been included in the incentive plan with options of 0.15%. There are no other benefits.

For the previous fiscal year – 2023 – Mr. Lucian Claudiu Anghel received a total gross remuneration of RON 150.000. For the year 2023, Mr Lucian Claudiu Anghel has been included in the incentive plan with options of 0.15%. There are no other benefits.

For the previous fiscal year - 2023 - Mrs Manițu Anca received a total gross remuneration of RON 94,355. For the year 2023, Mrs Manițiu Anca has been included in the incentive plan with options at 0.15%. There are no other benefits.

For the previous fiscal year – 2023 – Mr. Vizental Rudolf Paul received a total gross remuneration of RON 100.000. For 2023, Mr. Vizental Rudolf was included in the incentive plan with options at 0.15%. There are no other benefits.

If a member of the Board of Directors of the parent company is appointed as a director of one of the subsidiary companies, he shall be remunerated in accordance with the remuneration of the other directors of that company. This is not an additional "benefit" but a market remuneration for the responsibility exercised.

During 2023, Ivylon Management, represented by Mr. Cristian Ion Logofătu held the position of member of the board of directors of The eLearning Company (ELC), a company in which the Bittnet Group held more than 20% of the voting rights, for which he received a total gross compensation of RON 36,000.

During 2023, Ivylon Management, represented by Mr. Mihai Alexandru Constantin Logofătu held the position of member of the Board of Directors of Fort SA (formerly Global Resolution Experts (GRX/Fort) for which he received a total gross compensation of RON 120,000.

During 2023, Mr. Lucian Anghel held the position of member of the Board of Directors of Fort SA (formerly Global Resolution Experts (GRX/Fort) for which he received a total gross compensation of RON 120,000.

During 2023, Ivylon Management, represented by Mr. Mihai Logofătu held the position of director of Top Tech SRL for which he received a total gross compensation of RON 84,000.

During 2023, Ivylon Management, represented by Mr. Mihai Logofătu held the position of director of 2NET Computer SRL for which he received a total gross compensation of RON 60,000.

Expenses related to the exercise of the functions of the Board of Directors and to the representation of the Group by Board members are not included in this report as they are not considered as benefits. These are current expenses such as communication and IT equipment (laptop, mobile phone) or mobile phone subscriptions.

CEO

Considering that Mr. Mihai Logofătu, founder of the company, also serves as CEO and Chairman of the Board of Directors, Mr. Logofătu did not receive the remuneration for the position of Chief Executive Officer in 2023. For 2023 Mr. Logofătu Mihai was included in the incentive plan with options at 0.5%.

The benefit received as Managing Director is access to an operationally leased car - Toyota Camry - worth EUR 500 per month. There are no other benefits.

CFO

For the previous fiscal year, Mr. Adrian Stănescu received a total gross remuneration of RON 372,644.

For 2023, Mr. Adrian Stănescu was included in the incentive plan with options at 0.4%.

The benefit received as CFO is access to an operationally leased car - Volvo XC60 - worth EUR 800 per month. There are no other benefits.

Section 14: Functioning of administrative bodies and Management

For the last completed financial year of the issuer, unless otherwise specified, the following information shall be given for each of the persons referred to in point (a) of the first subparagraph of item 12.1.

14.1. Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office.

On January 29, 2020, the General Meeting approved the amendment of the company's articles of association to the effect that the company will be managed by a three-member Board of Directors for a four-year term. Administration by a 3-member Board of Directors has been carried out until the date of the General Meeting of Shareholders on 27.04.2023. Subsequent to this date, the Issuer was managed by a 5-member Board of Directors, with the addition of two new non-executive directors following elections. The terms of office of the two new members were aligned with the terms of office of the members elected at the GMS in January 2020, i.e. until 29.01.2024. Thus at the end of the 2023 fiscal year, the Company's management was made by the following managers:

- Ivylon Management SRL through legal representative, Mr. LOGOFATU MIHAI ALEXANDRU CONSTANTIN – Managing Director and Chairman of the Board;
- Mr. ANGHEL LUCIAN CLAUDIU – Non-Executive Director and Vice-Chairman of the
- Board; Mr. LOGOFATU CRISTIAN ION – Non-Executive Director;
- Dynamic Data Drawings SRL through legal representative, Mrs. MANIȚIU ANCA – Non-Executive Director;
- Mr. VIZENTAL RUDOLF PAUL – Non-Executive Director.

On 19.01.2024 Mr. Vizental Rudolf notified the issuer, and the issuer notified the capital market of the letter of resignation from membership of the board of directors of the issuer.

On 25.01.2024, the General Meeting voted on the composition of the new Board of Directors, in view of the approaching expiry of the mandates. Following the elections, the new Board of Directors is composed of the following members, elected for a 4-year term of office, respectively until 29.01.2028:

- Ivylon Management SRL through legal representative, Mr. LOGOFATU MIHAI ALEXANDRU CONSTANTIN – Managing Director and Chairman of the Board;
- Mr. ANGHEL LUCIAN CLAUDIU – Non-Executive Director and Vice-Chairman of the Board;
- Eccleston Square Capital Limited represented by Mr. CIUCU BOGDAN-ANDREI – Non-Executive Director
- Mr. CONSTANTINESCU GABRIEL-CLAUDIU – Non-Executive Director
- Quercus Solutions SRL represented by Mr. MICHEȘ PAUL – Non-Executive Director

The Managing Director was appointed by the Board of Directors and is working on the basis of a 4-year mandate contract until 16.03.2028.

The Chief Financial Officer was appointed by the Board of Directors and is working on the basis of a 4-year mandate contract until 16.03.2028.

14.2. Information on service contracts between the members of the administrative, management and supervisory bodies and the issuer or any of its subsidiaries providing for benefits at the end of the contract, or an appropriate statement that there are no such benefits.

The Directors shall perform their duties in accordance with the mandate contracts approved by the General Meeting of Shareholders in January 2024. There are no clauses concerning the granting of benefits at the end of the director's contract or at the end of the director's contracts (general, financial).

14.3. Information on the issuer's audit committee and remuneration committee, including the names of the members of these committees, and a summary of the terms of reference under which the committees operate.

The Audit Committee currently functions and is composed of the following persons:

- Mr. Lucian Anghel
- Mr. Cristian Logofătu
- Mr. Micheș Paul

The mandate of the Audit Committee is to assist the Board of Directors of BITTNET SYSTEMS S.A. in the efficient supervision of the aspects related to the risk management and internal control system of the Company. Thus, the main responsibilities of the Audit Committee are to make recommendations to the Board concerning:

- Financial reporting: The Committee reviews and verifies the accuracy of the Company's annual and interim consolidated financial statements and any other financial reports before they are submitted to the Board for approval.
- Financial audit: The Committee reviews and makes recommendations to the Board on the appointment, reappointment and removal of the financial auditors, which must be approved by the shareholders, and regularly evaluates the efficiency, independence and objectivity of the financial auditors;
- Internal audit and internal control: The Committee shall approve the organisation and functioning of the Internal Audit department, review the Internal Auditor's report and the status of implementation of the Internal Auditor's recommendations, make recommendations to the Board on the appointment or dismissal of the Internal Auditor.
- Compliance, conduct and conflicts of interest: The Committee shall ensure that the policies and practices of the Company comply with local and international laws and regulations, the recommendations of the regulatory bodies and the best practices, and it shall examine the implementation of the conflict of interests policy.
- Risk management: The Committee informs the Board of the main risks taken by the Company, monitors these risks and ensures that they are managed effectively.

The Nomination and Remuneration Committee currently consists of the following persons:

- Mr. Micheș Paul
- Mr. Constantinescu Gabriel-Claudiu
- Mr. Ciucu Andrei Bogdan

The Nomination and Remuneration Committee’s terms of reference shall consist of providing support to the Board of Directors of BITTNET SYSTEMS S.A. for the implementation of the remuneration policy of the management structure.

For this purpose, The Committee:

- shall develop the remuneration policy of the management structure, taking into consideration the long-term interests of shareholders, strategy, business plan and performance of the Company, best practices in the field, a balanced mix of incentives to attract and retain the staff that the Company needs for its operations;

- shall submit proposals to the Board and, through the Board, to the General Shareholder Meeting, as appropriate, on the programs for share granting and/or share purchase options;

- reviews the annual remuneration report, which shows how the remuneration policy for members of the management structure has been implemented during the annual period under review.

14.4. A statement as to whether or not the issuer complies with the corporate governance regime(s) applicable to the issuer. If the issuer does not comply with such a regime, a statement to this effect shall be included, together with an explanation of why the issuer does not comply with such a regime.

Does not comply with the provisions of the Code	Complies	or complies partially Reason for non-compliance
A.1 All companies must have an internal Board charter that includes the Board's terms of reference/responsibilities and key management functions of the company, and that applies, inter alia, the General Principles in Section A. YES		
A.2 Provisions for the management of conflicts of interest should be included in the Board Regulation. In any case, Board members must notify the Board of any conflicts of interest that have arisen or may arise and to abstain from participating in discussions (including by non-attendance, unless non-attendance would prevent the formation of a quorum) and from voting on a resolution on the matter giving rise to that conflict of interest. YES		
A.3 The Board of Directors or Supervisory Board must consist of at least five members.		
A.4 The majority of Board members must be non-executive. At least one member of the Board of Directors or the Supervisory Board must be independent in the case of Standard Category companies. In the case of companies in the Premium Category, not less than two non-executive members of the Board of Directors or the Supervisory Board must be independent. Each independent member of the Board of Directors or the Supervisory Board, as the case may be, must make a declaration at the time of his/her nomination for election or re-election, as well as at the time of any change in his/her status, indicating the elements on the basis of which he/she is considered to be independent in terms of his/her character and judgement and according to the following criteria in the Code. YES		
A.5 Other relatively permanent professional commitments and obligations of a member of the Board, including executive and non-executive positions on the boards of not-for-profit companies and institutions, must be disclosed to shareholders and potential investors prior to nomination and during his or her tenure. YES		

Does not comply with the provisions of the Code	Complies	or complies partially Reason for non-compliance
A.6 Any member of the Board must provide the Board with information on any relation with a shareholder holding directly or indirectly shares representing more than 5% of all voting rights. YES This obligation covers any kind of report that may affect the member's position on matters decided by the Board.		
A.7 The Company must appoint a Secretary to the Board responsible for supporting the work of the Board. YES		
A.8 The corporate governance statement shall disclose whether an evaluation of the Board has taken place under the direction of the Chairman or the nominating committee and, if so, shall summarize key measures and resulting changes. The company must have a policy/guideline on Board evaluation including the purpose, criteria and frequency of the evaluation process. YES		
A.9 The corporate governance statement should include information on the number of Board and committee meetings held during the past year, directors' attendance (in person and in absentia) and a report from the Board and committees on their activities. YES		
A.10 The corporate governance statement shall include information on the exact number of independent members of the Management Board or Supervisory Board. YES		
A.11 The Board of Premium Category companies shall establish a Nomination and Remuneration Committee consisting of non-executive members, which shall lead the procedure for the nomination of new members to the Board and make recommendations to the Board. YES The majority of the members of the ...Company does not have this obligation, not being included in the category ....nomination must be independent. Premium.		
B.1 The Board shall establish an audit committee of which at least one member shall be an independent non-executive director. A majority of the members, including the Chair, must have demonstrated that they have appropriate qualifications relevant to the functions and responsibilities of the Committee. At least one member of the audit committee must have proven and appropriate audit or accounting experience. YES In the case of Premium Category companies, the audit committee must consist of at least three members and a majority of the audit committee members must be independent.		
B.2 The chairman of the audit committee must be an independent non-executive member.	YES	
B.3 As part of its responsibilities, the audit committee shall conduct an annual assessment of the system of internal control. YES		

Does not comply with the provisions of the Code	Complies	or complies partially Reason for non-compliance
B.4 The assessment should consider the effectiveness and comprehensiveness of the internal audit function, the adequacy of risk management and internal control reports presented to the Board's audit committee, the timeliness and effectiveness with which executive management addresses deficiencies or weaknesses identified through internal control, and the presentation of relevant reports to the Board. YES		
B.5 The Audit Committee shall evaluate conflicts of interest in relation to the company's and its subsidiaries' transactions with related parties. YES		
B.6 The Audit Committee shall evaluate the effectiveness of the internal control system and the risk management system. YES		
B.7 The Audit Committee shall monitor the application of legal standards and generally accepted internal auditing standards. The Audit Committee shall receive and evaluate the reports of the Internal Audit Team. YES		
B.8 Whenever the Code mentions reports or reviews initiated by the Audit Committee, these should be followed by regular (at least annual) or ad hoc reports to be submitted subsequently to the Board. YES		
B.9 No shareholder may be given preferential treatment over other shareholders in connection with transactions and agreements entered into by the company with shareholders and their affiliates. YES		
B.10 The Board shall adopt a policy to ensure that any transaction of the Company with any of its closely held companies whose value equals or exceeds 5% of the Company's net assets (as per the latest financial report) is approved by the Board following a binding opinion of the Board's audit committee and properly disclosed to shareholders and potential investors, to the extent that such transactions fall within the category of events subject to reporting requirements. YES		
B.11 Internal audits must be carried out by a structurally separate division (department... within the company or by engaging an independent third party. YES		The internal audit function is outsourced to an internal audit firm) specialized.
B.12 In order to ensure that the core functions of the internal audit department are fulfilled, it must report functionally to the Board via Audit Committee. For administrative purposes and as part of management's obligations to monitor and mitigate risks, it must report directly to the CEO.	YES	The internal audit function is outsourced to a company ....of the

Does not comply with the provisions of the Code	Complies	or complies partially Reason for non-compliance
C.1 The Company shall publish on its website the remuneration policy and include in its annual report a statement on the implementation of the remuneration policy during the annual period under review. [...] The remuneration report must disclose the implementation of the remuneration policy for the persons identified in the remuneration policy during the annual period under review. YES Any material change in the remuneration policy must be published on the company's website in a timely manner.		
D.1[1] The company must organise an Investor Relations service - indicating to the general public the responsible person(s) or organisational unit. In addition to the information required by law, the company must include on its website a section dedicated to Investor Relations, in Romanian and English, with all relevant information of interest to investors, including: YES		
D.1.1 Main corporate regulations: articles of association, procedures for general meetings of shareholders; YES		
D.1.2 CVs of members of the company's governing bodies, other professional commitments of Board members, including executive and non-executive positions on boards of companies or non-profit institutions; YES		
D.1.3 Current reports and periodic reports (quarterly, half-yearly and annual) - at least those set out in D.8 - including current reports with detailed information on non-compliance with this Code; YES		
D.1.4 Information on general meetings of shareholders: agenda and information materials; procedure for electing Board members; arguments supporting proposals of candidates for election to the Board, together with their professional CVs; YES shareholders' questions on agenda items and the company's responses, including resolutions adopted;		

1 Compliance with provision D.1. means that the company complies with all its sub-points (D.1.1, D.1.2, etc.).

Does not comply with the provisions of the Code	Complies	or complies partially Reason for non-compliance
D.1.5 Information on corporate events, such as the payment of dividends and other distributions to shareholders, or other events leading to the vesting or limitation of a shareholder's rights, including deadlines and principles applied to such transactions. S This information will be published within a timeframe that allows investors to make investment decisions;	YE	
D.1.6 Name and contact details of a person who will be able to provide relevant information on request; YES		
D.1.7 Company presentations (e.g. investor presentations, quarterly results presentations, etc.), financial statements (quarterly, half-yearly, annual), audit reports and annual reports. YES		
D.2 The Company shall have a policy on the annual distribution of dividends or other benefits to shareholders, proposed by the Chief Executive Officer or the Board of Directors and adopted by the Board, in the form of a set of guidelines that the Company intends to follow with respect to the distribution of net income. YES		
D.3 The Company will adopt a policy in relation to forecasts, whether publicly disclosed or not. Projections refer to quantified conclusions of studies aimed at establishing the overall impact of a number of factors over a future period (so-called assumptions): by its nature, this projection has a high level of uncertainty, and actual results may differ significantly from the projections initially presented. YES The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.		
D.4 The rules of general meetings of shareholders must not limit shareholder participation at general meetings and the exercise of their rights. The changes to the rules will take effect at the earliest from the next shareholders' meeting. YES		
D.5 The external auditors shall be present at the general meeting of shareholders when their reports are presented at such meetings. YES		

Does not comply with the provisions of the Code	Complies	or complies partially Reason for non-compliance
D.6 The Board shall present to the Annual General Meeting of Shareholders a brief assessment of the systems of internal control and management of significant risks, as well as opinions on certain matters subject to the decision of the general meeting.	PARTIAL	The Company shall make available to its shareholders the supporting documents for the items on the agenda of the General Meetings. An overview of internal control systems and of management of significant risks will be made available after the formalisation of the entire control system at Company level.
D.7 Any specialist, consultant, expert or financial analyst may attend the shareholders' meeting upon prior invitation by the Board. Accredited journalists may also attend the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	YES	
D.8 Quarterly and half-yearly financial reports shall include information in both Romanian and English on key factors influencing changes in the level of sales, operating profit, net profit and other relevant financial indicators, both quarter-on-quarter and year-on-year.	YES	
D.9 A company should organize at least two meetings/conference calls with analysts and investors each year. Information presented on these occasions will be published in the investor relations section of the company's website on the date of the meetings/teleconferences.	YES	
D.10 If a company supports various forms of artistic and cultural expression, sports, educational or scientific activities and considers that their impact on the innovative character and competitiveness of society is part of its mission and development strategy, it will publish a policy on its activity in this field.	N/A	

A.8 The corporate governance statement will inform whether an evaluation of the Board has taken place under the leadership of the Chairman or the nominating committee and, if so, will summarise the key actions and resulting changes.
The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.

For the work carried out in 2023, under the leadership of the Chairman, the Board evaluation process was carried out, based on the Board Performance and Effectiveness Evaluation Guidelines adopted by the Company; following the self-assessment, the Board established the following key areas of focus to be addressed in the coming period:

1. Improving the corporate governance of the Bittnet Group
2. Redefining the role and involvement of the members of the advisory committees of the Board of Directors in the new development phase of Bittnet Group

A.9 The corporate governance statement shall contain information on the number of meetings of the Board and committees during the past year, attendance of directors (in person and in absentia) and a report from the Board and committees on their activities.

Corporate governance:

In 2023 Bittnet shareholders met in 2 general meetings:

Ordinary General Meeting of Shareholders on 27.04.2023 to: approve the financial statements for the year 2022 and the profit distribution, the income and expenditure budget for the financial year 2023, the Annual Report (in the form of a Universal Registration Document) and the Remuneration Report for the year 2022;

Extraordinary General Meeting of Shareholders on 30.10.2023 for:

- Revocation of the auditor BDO AUDIT SRL and selection of the auditor of the individual financial statements of the issuer and consolidated financial statements of the group, Lion Link Audit for the financial year 2023 and the auditor KPMG Audit for the financial year 2024.

The documents of the Bittnet General Meetings of Shareholders are available on our website:
https://investors.bittnet.ro/intalniri-ale-actionarilor/

The Articles of Association of the Company have been amended during 2023, the current form of which is available on the Company's website at:

https://investors.bittnet.ro/despre-bittnet/guvernanta-corporativa/

Board of Directors

The framework for the Board's activity is governed by the Bittnet System Board of Directors' Regulations, which can be consulted on the Company's website at:

https://investors.bittnet.ro/despre-bittnet/guvernanta-corporativa/

During 2023, Bittnet's Board of Directors met in 22 meetings, with members present in person or by remote communication. Attendance of members at Board meetings was unanimous.

The main topics discussed by the Board were:

- Evaluation of the performance and efficiency of the Board of Directors for the 2022 activity;

- Approval of the preliminary unaudited consolidated financial statements for the financial year 2022, accompanied by the Preliminary Annual Report for the year 2022;
- Convening of ordinary and extraordinary general meetings of shareholders and materials relating to agenda items for presentation to shareholders;
- Transaction to purchase shares in Dataware Consulting;
- Consolidated and Individual Interim Financial Report for the 6 months ended June 30, 2023 and Half Year Report for the half year 1/2023, prepared in accordance with FSA Regulation no. 5/2018;
- Taking out various types of loans and credits;
- The conduct of public offerings of corporate bonds.

Activity of the Advisory Committees

The Advisory Committees are constituted, by decision of the Board of Directors of the Company, on the basis of the provisions of Article 140 of the Companies Act no. 31/1990 republished, as amended and supplemented and Article 19.11 of the Articles of Association.

The purpose of the Advisory Committees is to conduct investigations and make recommendations to the Board in the specific area of each Committee.

The following Advisory Committees operate within the Company and have been established by Board decisions:

- Audit Committee;
- Nomination and Remuneration Committee;
- Strategic Development Committee

For detailed information on the specific terms of reference of each Advisory Committee visit our website at https://investors.bittnet.ro/despre-bittnet/guvernanta-corporativa/

Audit Committee

The role of the Audit Committee is to assist the Board of Directors in effectively overseeing matters relating to the Company's system of risk management and internal control, in fulfilling the Board's responsibilities in the areas of financial reporting, internal control and risk management.

The Audit Committee at the level of the issuer was established by decision of the Board of Directors in March 2020. During 2023, its composition underwent changes following the retirement of Mr. Dan Ștefan and election of Mrs. Anca Manițiu as a member of the Audit Committee. Thus, on 31.12.2023, the Audit Committee consisted of the following persons:

Mr. Lucian Claudiu ANGHEL	Chairman of the Audit Committee, Vice-Chairman of the Board of Directors (independent non-executive director)
Mr. Cristian Ion LOGOFĂTU	Member of the Audit Committee, Member of the Board of Directors (non-executive director)
Mrs. Anca MANIȚIU	Member of the Audit Committee, Member of the Board of Directors (independent non-executive director)

During 2023, the Audit Committee held 7 meetings attended by all Committee members.

The topics discussed at the Audit Committee meetings, for which it made recommendations to the Board of Directors where appropriate, were as follows:

- Adoption of the preliminary unaudited consolidated financial statements for the financial year 2022, accompanied by the preliminary annual report for the year 2022
- Adoption of the individual and consolidated annual financial statements for the financial year 2022
- Approval of the Report of the Board of Directors (in the form of a Universal Registration Document) for 2022

- Presentation of the Independent Auditor's Report for 2022
- Adoption of the profit distribution proposals for 2022
- Adoption of the Revenue and Expenditure Budget for the financial year 2023
- Independent Auditor's Report for 2022 and challenge to his opinion
- Quarterly report for quarter 1 - 2023, prepared in accordance with FSA Regulation no. 5/2018, which also includes the unaudited consolidated financial results for quarter 1, 2023
- Adoption of the consolidated and individual interim financial report for the six months ended June 30, 2023 and of the half-yearly report for the half-year 1/2023, prepared in accordance with FSA Regulation no. 5/2018

- The action plan and the status of its implementation following the recommendations received from the external auditor and the internal auditor
- Choice of the financial auditor for the audit of the individual and consolidated financial statements of the companies belonging to the Bittnet group for the period 01.01.2023 - 30.04.2025
- Budget Execution Bond
- Financing
- Self-assessment of the activity performed

Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee is to assist the Board of Directors in the development and implementation of the remuneration policy, the governance structure and the nomination of candidates for the Board.

The composition of the Nomination and Remuneration Committee remained unchanged in 2023 and consisted of the following persons at the end of last year:

Mr. Cristian Ion Logofătu	Chairman of the Nomination and Remuneration Committee Member of the Board of Directors
Mr. Mihai Logofatu	Member of the Nomination and Remuneration Committee Chairman of the Board of Directors, as representative
Mr. Lucian Anghel	Member of the Nomination and Remuneration Committee Vice-Chairman of the Board of Directors
Mr. Sergiu Neguț	Member of the Nomination and Remuneration Committee External member
Mr. Andrei Pitiș	Member of the Nomination and Remuneration Committee External member

During 2023, the Nomination and Remuneration Committee met in a meeting attended by all Committee members. Thus, the Nomination and Remuneration Committee considered
the following topics:

- Adoption of the Remuneration Report for 2022 Adoption of the
- Remuneration Policy for 2023
- Approval of proposals for candidates to fill two positions on the Board of Directors
- Approval of the Long-Term Remuneration Plan based on the shareholding in the company.

Strategic Development Committee

The Strategic Development Committee has an advisory role and makes recommendations on the Company's development strategy.

The composition of the Strategic Development Committee has remained unchanged to date and consists of the following persons:

Mr. Mihai Logofătu	Chairman of the Strategic Development Committee, Chairman of the Board of Directors, as representative
Mr. Lucian Anghel	Member of the Strategic Development Committee, Vice-Chairman of the Board of Directors
Mr. Cristian Logofatu	Member of the Strategic Development Committee, Member of the Board of Directors
Mr. Sergiu Neguț	Member of the Strategic Development Committee, External member
Mr. Andrei Pitiș	Member of the Strategic Development Committee, External member
Mr. Dan Ștefan	Member of the Strategic Development Committee, External member
Mr. Dan Berteanu	Member of the Strategic Development Committee, External member

During 2023, the Strategic Development Advisory Committee met twice.

The topics discussed during these sessions focused on the analysis of the current context in which the Bittnet Group operates and its future prospects, as well as the state of implementation of M&A plans.

D.7 Any specialist, consultant, expert or financial analyst may attend the shareholders' meeting upon prior invitation by the Board.
Accredited journalists may also attend the general meeting of shareholders, unless the Chairman of the Board decides otherwise.

All GMSs of the issuer are webcast live.

14.5. Potential significant effects on corporate governance, including future changes in the composition of the board of directors and committees (to the extent already decided by the board and/or the shareholders' meeting).

Not applicable

Section 15: Employees

15.1.

The number of employees at the end of the period covered by the historical financial information or the average number of employees for each financial year of the period in question up to the date of the document (as well as changes in these figures, if material) and, if possible and if such information is material, a breakdown of employees by main categories of activities and geographical locations. If the issuer employs a significant number of temporary employees, include disclosure of the number of temporary employees on average during the most recent financial year.

In 2023, the average number of employees of the group was 357. The following table shows the breakdown by functional departments at the end of the fiscal years. The figures do not include at all the situation of E-Learning Company employees. The figures include only companies within the scope of consolidation as at 31.12.2023.

Department	2017	2018	2019	2020	2021	2022	2023
Sales	4	5	14	16	25	51	48
Technical	4	5	23	25	27	122	215
Marketing	2	1	2	4	9	7	7
Deliveries/administrative	1	3	8	14	16	60	73
Management	4	4	3	2	2	10	14

The company outsources a part of its activities to independent subcontractors. At the end of Q4 2023, the Issuer was cooperating with over 100 contractors.

The overwhelming majority of the company's employees are graduates. The employees of the company are not organized into trade unions. In the history of the company, no conflicting situations occurred between the management and the employees.

As a peculiar aspect of the IT industry, it should be mentioned that employees and workers (freelancers) in the field are persons with a high degree of education, a steady willingness to learn and a high degree of independence. The type of working environment and the activity is characterized by joviality, youth, a desire to work and to “prove” one’s professional worth.

It should also be underlined that we operate in the digital economy area, and we are taking full advantage of the so-called “gig economy”, but we also face the challenges that it brings. Thus, the company is actively seeking to position itself as a platform that matches experts on various subjects with the relevant customers for the services concerned.

Each of the companies in the group have their own organizational charts, specific to the current, historical and future activity. The Group is run in a highly decentralised way, with only a few 'clustered' shared services functions in marketing, operations, finance and accounting, and investor relations.

15.2. Shareholdings and share options - The most recent possible information concerning shareholdings in the issuer's equity and any options over the issuer's shares held by each of the persons referred to in points (a) and (d) of the first paragraph of item 12.1.

SOP 2021

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

SOP 2022

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

SOP 2023-2026 (Long Term Incentive Plan through Equity Participation in the Company)

By Decision No. 11 of the EGMS of 27 April 2023, the shareholders approved an incentive plan for key persons based on options for participation in the Company's capital. Compared to previous incentive plans, it has a duration of 3 years and a value of 7.5% of the Company's total shares

15.3. Description of any arrangements for involving the employees in the capital of the issuer

The Company's shareholders approved at the April 2021, April 2022 and April 2023 general meetings incentive plans with key person options. Under these stock option incentive plans, members of the Issuer's management and other persons who can positively influence the group's results may receive the right to acquire shares of the Issuer at preferential prices, as follows:

1) The GMS in April 2023 approved a Long Term Equity Compensation Plan for key persons not named at the time of approval: maximum 7.5% of the Company's total shares. Exercise period: May-June 2026. Exercise price per share corresponding to the capitalisation of the Issuer on 21 April 2022.
2) General Meeting of the Shareholders in April 2021: Incentive plan for key persons not nominated at the time of approval: maximum 5% of the Company's total shares. Exercise period: May-June 2023. Exercise price per share corresponding to the Issuer's capitalisation on April 14, 2021. This incentive plan expired unexercised as per point 15.2. above
3) General Meeting of the Shareholders in April 2022: Incentive plan for key persons not nominated at the time of approval: maximum 5% of total company shares. Exercise period: May-June 2024. Exercise price per share corresponding to the Issuer's capitalisation on April 11, 2022.

Section 16: Main shareholders

16.1. To the extent that this information is known to the issuer, the name of any person who is not a member of any administrative, management or supervisory body of the issuer and which directly or indirectly holds a percentage of the share capital or of the voting rights in the issuer which is notifiable under the national law applicable to the issuer and the value of the holding in question at the date of the document or, in the absence of such persons, an appropriate statement that there are no such persons.

The issuer is aware of a group of shareholders who have declared themselves to be in concert and who together hold a 30% stake according to the notification sent to the issuer and the FSA:

https://m.bvb.ro/Infocont/RaportariActionari/BSE/BNET_20230424_Notif_detineri_BNET_Agista_Impetum.pdf .

Shareholders holding more than 10% of the share capital and voting rights at the end of 2023 were:

Shareholders and % shareholding	31 Dec	31 Dec
IMPETUM INVESTMENTS S.A.	13,33%	6,86%
AGISTA INVESTMENTS S.R.L.	13,75%	7,98%

16.2. Information as to whether the issuer's major shareholders have different voting rights or an appropriate statement that there are no such voting rights.

Not applicable, issuer's major shareholders have the same voting rights as the other shareholders. 1 share grants 1 voting right in the General Meetings of Shareholders.

16.3. To the extent that this information is known to the issuer, state whether the issuer is owned or controlled, directly or indirectly, and by whom, and describe the nature of the control and the measures taken to ensure that such control is not abused.

The issuer is not owned or controlled directly or indirectly.

16.4. A description of arrangements, known to the issuer, the application of which may, at a later date, result in a change of control of the issuer.

Not applicable. There is no agreement known to the Issuer that could result in a change of control of the Issuer.

Section 17: Transactions with affiliates

17.1. Details of transactions with affiliates must be disclosed which, for this purpose, are those set out in the standards adopted pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council (2)], concluded by the issuer during the period covered by the historical financial information, up to the date of the document, in accordance with the relevant standard adopted pursuant to Regulation (EC) No 1606/2002, if applicable. If such standards do not apply to the issuer the following information must be disclosed: (a) the nature and extent of any transactions which are, as a single transaction or in their entirety, material to the issuer. Where such related party transactions are not concluded at arm's length provide an explanation of why these transactions were not concluded at arm's length. In the case of outstanding loans including guarantees of any kind indicate the amount outstanding; (b) the amount or the percentage to which related party transactions form part of the turnover of the issuer.

If the international financial reporting standards adopted in compliance with Regulation (EC) no. 1606/2002 shall apply to the issuer, the information referred to in points (a) and (b) shall be presented only for transactions carried out since the end of the last financial year for which audited financial information has been published.

The transactions reported have been disclosed as required by law, together with the auditor's opinion, here:

https://m.bvb.ro/FinancialInstruments/SelectedData/NewsItem/BNET-Raport-auditor-art-108-Legea-24- 2017-R-perioada-01-01-2023-31-12-2023/EE1EA

https://m.bvb.ro/infocont/infocont24/BNET_20240205182801_LionLink-Audit-Bittnet-Raport-asigurare-Raport-ASF-16-2024-S.pdf

Intra-group deliveries in normal business flows

RON Cumparator	Vanzator: BITTNET SYSTEMS SA	COMPUTER LEARNING CENTER SRL	DENDRIO SOLUTIONS S.R.L.	ELIAN SOLUTIONS SRL	EQUATORIAL GAMING S.A.	EQUATORIAL TRAINING SRL	GLOBAL RESOLUTION EXPERTS S.A.	GRX ADVISORY S.R.L.	ISEC ASSOCIATES SRL	ITPREPARED SRL	NENOS SOFTWARE SRL	NONLINEAR SRL	2NET COMPUTER	Grand Total
⊟ BITTNET SYSTEMS SA		**1,652,094**	**22,402,772**	**1,882,321**	**956,612**	**62,191**	**683,078**	**495,168**	**1,152,962**	**548,103**	**12,088**			**29,847,388**
Alte creante/Alte datorii				577,292	448,696									1,025,987
Creante clienți/Furnizori		8,122	960,084	6,004	75,394	194	33,565	649	2,988	7,086	12,088			1,106,174
Imprumuturi acordate RP		1,178,992	16,225,734						655,455					18,060,181
Sublease		464,980	5,216,954	1,299,025	432,522	61,997	649,512	494,519	494,519	541,017				9,655,045
⊟ COMPUTER LEARNING CENTER SRL	**31,139**													**31,139**
Creante clienți/Furnizori	31,139													31,139
⊟ DENDRIO SOLUTIONS S.R.L.	**95,032**	**3,660**		**23,140**	**28,083**	**177**	**11,049**			**13,064**				**174,205**
Creante clienți/Furnizori	95,032	3,660		23,140	28,083	177	11,049			13,064				174,205
⊟ ELIAN SOLUTIONS SRL	**211,435**		**33,904**											**245,339**
Creante clienți/Furnizori	211,435		33,904											245,339
⊟ EQUATORIAL GAMING S.A.	**71,036**		**33,744**	**235**			**640**							**105,653**
Creante clienți/Furnizori	71,036		33,744	235			640							105,653
⊟ GLOBAL RESOLUTION EXPERTS S.A.										**1,344,093**				**1,344,093**
Creante clienți/Furnizori										1,344,093				1,344,093
⊟ GRX ADVISORY S.R.L.			**209,522**											**209,522**
Creante clienți/Furnizori			209,522											209,522
⊟ ITPREPARED SRL	**8,788**		**421,405**											**430,193**
Creante clienți/Furnizori	8,788		421,405											430,193
⊟ NENOS SOFTWARE SRL				**26,158**								**3,663**		**29,821**
Creante clienți/Furnizori				26,158								3,663		29,821
⊟ TOP TECH SRL	**830**		**115,064**										**2,832**	**118,726**
Creante clienți/Furnizori	830		115,064										2,832	118,726
Grand Total	418,260	1,655,754	23,216,410	1,931,854	984,695	62,368	694,766	495,168	1,152,962	1,905,260	12,088	3,663	2,832	32,536,081

Section 18: Financial information on the Issuer's assets, liabilities, financial position and profits and losses

18.1. Historical financial information

18.1.1. Audited historical financial information for the last three financial years (or any shorter period since the issuer has been in operation) and the corresponding audit report for each year.

According to Article 19 of the Regulation (EU) 2017/1129, taking into account that the annual and interim financial information, as well as the audit reports are such information that can be incorporated by reference in the document, if they were published previously, below we list the internet addresses where the audited annual results are available in IFRS format (accompanied by the audit report):

- The financial results in IFRS format for the period 2016-2018 were published by the Issuer, together with the audit report, in November 2019 at: https://investors.bittnet.ro/wp-content/uploads/2019/12/IFRS- Raportul-auditorului-situatii-financiare-consolidate-2016-2018-Bittnet.pdf
- The financial results in IFRS format for the fiscal year 2019 have been made available to investors as supporting documents for the GMS of 29.04.2020, together with the audit report at:

  https://investors.bittnet.ro/ro/intalniri-ale-actionarilor/29-aprilie-2020/
- The financial results in IFRS format for the fiscal year 2020 have been made available to investors as supporting documents for the GMS of 29.04.2020, together with the audit report at:

  https://investors.bittnet.ro/ro/intalniri-ale-actionarilor/aga-27-aprilie-2021/
- The financial results in IFRS format for the fiscal year 2021 have been made available to investors as supporting documents to the GMS of 20.04.2022, together with the audit report at: https://investors.bittnet.ro/ro/intalniri- ale-actionarilor/aga-20-aprilie-2022/
- The financial results in IFRS format for the fiscal year 2022 have been made available to investors as supporting documents to the GMS of 27.04.2023, together with the audit report at: https://investors.bittnet.ro/ro/intalniri- ale-actionarilor/aga-27-aprilie-2023/
- The financial results in IFRS format for the fiscal year 2023 were made available to investors as supporting documents to the GMS of 25.04.2024, together with the audit report at: https://investors.bittnet.ro/ro/intalniri- ale-actionarilor/aga-25-aprilie-2024/

18.1.2. Change of accounting reference date

If the issuer has changed its accounting reference date during the period for which historical financial information is required, the audited historical information shall cover at least 36 months or the entire period during which the issuer has been active, whichever is shorter.

Not applicable, the Issuer has not changed its accounting reference date during the period for which historical financial information is required.

18.1.3. Accounting standards

Financial information must be prepared in accordance with International Financial Reporting Standards as approved in the Union on the basis of Regulation (EC) No 1606/2002.
If Regulation (EC) No 1606/2002 is not applicable, the financial information must be prepared in accordance with: (a) a Member State's national accounting standards for issuers from the EEA, as required by Directive 2013/34/EU; (b) a third country's national accounting standards equivalent to Regulation (EC) No 1606/2002 for third country issuers. If such third country's national accounting standards are not equivalent to Regulation (EC) No 1606/2002 the financial statements shall be restated in compliance with that Regulation.

The financial information shall be prepared according to International Financial Reporting Standards as endorsed in the Union based on Regulation (EC) No 1606/2002

18.1.4. Change of accounting framework

The latest audited historical financial information containing comparative information for the previous year must be presented and prepared in a form consistent with the accounting standards framework to be adopted in the issuer's next published annual financial statements, taking into account the accounting standards and policies and legislation applicable to those annual financial statements. Changes within the accounting framework applicable to an issuer do not require the audited financial statements to be restated solely for the purposes of the document. However, if the issuer intends to adopt a new accounting standards framework in its next published financial statements, at least one complete set of financial statements (as defined by IAS 1 Presentation of Financial Statements as set out in Regulation (EC) No 1606/2002), including comparatives, must be presented in a form consistent with that which will be adopted in the issuer's next published annual financial statements, having regard to accounting standards and policies and legislation applicable to such annual financial statements.

The latest audited financial information of the Issuer, i.e. for the financial year 2023, has been published as supporting documents for the GMS of April 25, 2024 and will be included in the Annual Report 2023, published on the issuer's website in the investors section and on the BSE website on the BNET symbol page.

Starting with the financial year 2019, the Financial Information is prepared in accordance with IFRS International Financial Reporting Standards based on Regulation (EC) No. 1606/2002.

Historical financial results in IFRS format have been published by the Issuer together with audit reports since November 2019 on the dedicated investor relations website at:

https://investors.bittnet.ro/ro/rezultate-financiare/

18.1.5. Where audited financial information is prepared in accordance with national accounting standards, it must include at least the following:
(a) the balance sheet; (b) the income statement; (c) a statement showing either all changes in equity or changes in equity other than those arising from capital transactions with owners and distributions to owners; (d) the cash flow statement; (e) the accounting policies and explanatory notes.

Not applicable. The issuer prepares and reports the financial statements in accordance with IFRS.

18.1.6. Consolidated financial statements

If the issuer prepares both stand-alone and consolidated annual financial statements, at least the consolidated annual financial statements shall be included in the document.

18.1.7. Date of financial information

The balance sheet date of the last year of audited financial information may not be older than one of the following: (a) 18 months before the date of the document if the issuer includes audited interim financial statements in the document; (b) 16 months before the date of the document if the issuer includes unaudited interim financial statements in the document

The last financial year for which the financial statements were audited is 2022.

18.2. Interim and other financial information

18.2.1. If the issuer has published quarterly or half-yearly financial information since the date of the last audited financial statements, that financial information must be included in the document.
If the quarterly or half-yearly financial information has been audited or reviewed, the audit or review report must also be included. If the quarterly or half-yearly financial information is not audited or has not been reviewed, state that fact. If the registration document is dated more than nine months after the date of the last audited financial statements, it must contain interim financial information, which may be unaudited (in which case that fact must be stated) covering at least the first six months of the financial year. Interim financial information prepared in accordance with the requirements of Regulation (EC) No 1606/2002. For issuers not subject to Regulation (EC) No 1606/2002, the interim financial information must include comparative statements for the same period in the prior financial year, except that the requirement for comparative balance sheet information may be satisfied by presenting the year's end balance sheet in accordance with the applicable financial reporting framework.

Prior to the annual financial results for the year 2023, the financial report for each quarter of the year 2023 was published during the calendar year 2023, the quarterly financial statements are unaudited.

The reports are available both on the Issuer's website and on the BSE website, page dedicated to the BNET symbol.

18.3. Auditing of historical annual financial information

18.3.1. The historical annual financial information must be independently audited. The audit report shall be drawn up in accordance with Directive 2014/56/EU of the European Parliament and of the Council (3) and Regulation (EU) No 537/2014 of the European Parliament and of the Council (4). Where Directive 2014/56/EU and Regulation (EU) No 537/2014 do not apply: (a) the historical annual financial information must be audited or reported on as to whether or not, for the purposes of the document, it gives a true and fair view in accordance with auditing standards applicable in a Member State or an equivalent standard; (b) if audit reports on the historical financial information have been refused by the statutory auditors or if they contain qualifications, modifications of opinion, disclaimers or an emphasis of matter, such qualifications, modifications, disclaimers or emphasis of matter must be reproduced in full and the reasons given.

According to Article 19 of the Regulation (EU) 2017/1129, taking into account that the annual and interim financial information, as well as the audit reports are such information that can be incorporated by reference in the document, if they were published previously, below we list the internet addresses where the audited annual results are available, as IFRS format (accompanied by the audit report), and the non-audited half-yearly results (the Issuer is not required to audit the interim results).

Financial results in IFRS format for the period 2016-2018, 2019, 2020, 2021, 2022 and 2023 have been published by the Issuer together with the audit reports since November 2019 on the dedicated investor relations website at:

https://investors.bittnet.ro/ro/rezultate-financiare/

18.3.2. Indication of other information in the document that has been audited by the auditors.

Not applicable.

18.3.3 If the financial information in the document has not been extracted from the issuer's audited financial statements, the source of the information and the fact that the information is unaudited shall be stated.

Not applicable

18.4. Pro forma financial

In the case of a material change in gross amounts, include a description of how the transaction would have affected the assets, liabilities and earnings of the issuer if the transaction had occurred at the beginning of the reporting period or at the date indicated.
This requirement will normally be satisfied by the inclusion of pro forma financial information. This pro forma financial information is to be presented as set out in Annex 20 and must include the information indicated therein. Pro forma financial information must be accompanied by a report prepared by independent accountants or auditors.

Not applicable

18.5. Dividend policy.

18.5.1. A description of the Issuer's policy on dividend distributions and any restrictions thereon.
If the issuer does not have such a policy, an appropriate negative statement must be included.

The General Shareholder Meeting adopts the decision on the allocation of profits annually. The Issuer's strategy is not to pay dividends from the financial year profits. The Issuer intends to continue to fully invest the profits in the company development, that means a 'no dividend' policy for the shareholders. The Issuer intends to maintain this profit reinvestment policy for as long as its growth prospects outweigh the growth prospects of its activity market.

The issuer's dividend policy is fully described at: https://investors.bittnet.ro/politicile-corporative/politica-de-dividend/?lang=ro

At the General Meeting of Shareholders of November 2020, both amendments to the Articles of Incorporation and an offer of preferential shares were approved, the latter aims to replace the debenture loans of the Issuer by preferential shares – so they will mandatory offer dividends to shareholders.

According to the Articles of Incorporation, if there are preferential shares, they will receive an allocation of the priority dividend from the consolidated net profit of the previous fiscal year, calculated as a multiple of 1.75 applied to the percentage of preferential shares in the total share capital.

18.5.2. For each financial year during the period covered by the historical financial information, the amount of dividends per share, adjusted if necessary to allow comparisons to be made if the number of the issuer's shares has changed.

The Issuer did not pay dividends from the results of its historical financial years. The General Shareholder Meeting adopts the decision on the allocation of profits annually. It is the Issuer's intention not to pay dividends in future financial years, except in the event that preference shares carrying a priority dividend are issued under the terms of the Articles of Association. Bittnet is active in a very dynamic field – Information Technology . So far Bittnet has managed to record significant growth rates. On the other hand, the current size of the company, coupled with the consolidation trend across all industries makes us believe that the only way we can go is 'higher and higher'. That is why we intend to continue to invest any available resources in the development of the company. From the shareholders' point of view, the 'full profit reinvestment' policy also means a 'no dividend' policy.

We intend to propose this reinvestment policy to the Shareholder Meeting as long as the growth prospects of the company generally outweigh the growth prospects of the market. In the long run, the value that the company creates is reflected in the value of the company itself – its stock price. The management considers that we can continue to maintain a growth rate above that of the general market for a significant period of time.

Our current operational capacity is such that we can extract profits from the accelerated growth in turnover. This is the intention of our management: to keep growing the turnover in similar 'gross margin' profitability conditions.
In this way, the Company will generate more cash to cover a generally fixed cost structure, essentially 'additional gross margin' contributing almost entirely to the Company's gross profit.

According to the dividend policy, in the years 2016, 2017 , 2018, 2019, 2020, 2021, 2022 the general meeting decided to reward the shareholders by capitalizing the company's profits and granting free shares - one each year.

In 2022, taking into account the current share price and the liquidity already existing, no new distribution of bonus shares has been proposed, but only the already 'patented' operation of distributing a bonus share, which shareholders can choose to leave at the company's disposal for the settlement of future bond plans, being rewarded with a cash distribution. Thus at the GMS of April 2022 the increase of the share capital was approved under the conditions mentioned above and the cash distribution per treasury share at a higher value than before, namely RON 0.15.

18.6. Legal and arbitration

Information on any governmental, legal or arbitration proceedings (including any such pending or potential proceedings of which the issuer is aware) in at least the past 12 months which may have or have recently had a material effect on the financial position or profitability of the issuer and/or the group, or an appropriate negative statement.

The issuer declares that there are no governmental, judicial or arbitration proceedings that have had an effect on its financial results in the last 12 months.

During 2021, the Group became aware of the existence of case 30598/3/2021 on the Bucharest Court's docket, in contradiction with the owner of the former office space - București Mall Development and Management S.R.L. ("Anchor" or "the Owner").

During February 2022, the Group (or "Tenant") became aware of the contents of this file and the amount of the claims, as follows:

i) RON 267,214.96 representing rent, service charge and utilities;

ii) RON 100,109.95 as late payment penalties related to the principal amount; and RON

iii) 3,632,709.91 as compensatory damages (penalty clause).

Taking into account the approval given by the GMS in September 2021 for the expansion of the office and classroom space, in order to accommodate the team that will result from the M&A transactions already carried out, plus those that have been approved to be carried out in the next 3 years, the Group has exercised, pursuant to Article 4.1 of the Agreement, the option to expand the Space by an additional 3. 500 sqm office space, undivided and on the same floor as the existing Space "inside the Building or in another building owned by the Landlord or another company in its group (which benefits from similar commercial and technical conditions - i.e. is a class A office building and is located within walking distance of a metro station)", based on the notification sent to the Landlord on 10.12.2020.

According to the aforementioned contractual provisions "Tenant shall notify Landlord of the need/intent to expand the Office Space, if any, 4 (four) calendar months prior to May 2021". By reply communicated by email on 12.01.2021, the Owner informed the Group of 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, namely its availability is conditional on the relinquishment (unlikely, as it follows from the communicated response) of its use by another tenant;

ii) the availability of the space differs, there being a gap of 3 months between the space available on the same floor (in area of 1,495.61 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 (i.e. different duration, the need to bear some refurbishment 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 by email sent on 12.01.2021.

Consequently, the conditions for unilateral termination of the contract, as notified by the Group on 27.01.2021, 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 has maintained and confirmed its position by refusing to pay invoices issued after the termination date in the absence of a contractual relationship.

Through the Notification dated April 23, 2021, the Group requested Anchor to deduct the remaining rent payments until the date of termination of the contract as a result of the unilateral denunciation by the Renter (i.e. the remaining rent payments 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 Anchor sent its own notice of termination of the Contract citing the fault of the Tenant for non-payment of invoices, at the same time requesting compensatory damages according to the penal clause. Also, on 1.09.2021, Anchor executed the Guarantee provided by the Renter according to Annex 5 to the Contract.

On 23.09.2021 the Group notified the Owner regarding the fact that the Notice of Termination sent on 04.08.2021 is without object, considering that the 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 ruling in this regard.

At the first trial date of 10.06.2022, the court summoned the applicant to indicate the amount of the annual rent due under the rental agreement and how it was calculated, the corresponding documents, and to provide proof of payment of the stamp duty, calculated at this amount, by the next trial date of 14.10.2022, on pain of annulment. 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 closing of the hearing of 24.10.2022, the court postponed the ruling on the testimonial evidence after the submission of the answers to the interrogatories and an expert accountant was appointed to draw up the expert report with the following objectives, granted to the defendant:

1. The amount of Rent and Penalties owed by the Defendant outstanding on the date of the filing of the summons referred to 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 calculation of the sums requested for payment by the claim, namely the sums of RON 267,214.96 representing rent, service charge and utility costs, RON 100,109.95 representing late payment penalties and RON 3,632,709.91 representing compensatory damages, as requested by the claimant.

The parties replied to the interrogatories and by the conclusion of the hearing of January 27, 2023 the court granted the testimonial evidence with 2 witnesses who were heard in the hearing of 10.03.2023.

By 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. In view of the absence of the expert report, the court granted a new deadline of 21.04.2023. The expert's report was filed on 16.06.2023, and the court stayed the ruling for 30.06.2023.

After successive postponements the court has ruled on 04.08.2023. Solution in brief: "Admit in part the application as specified. Orders the defendant to pay the applicant the sum of RON 102 627,51 by way of late payment penalties. The court dismisses the other claims as unfounded. It orders the parties to bear their own costs in part and, accordingly, orders the defendant to pay to the plaintiff the sum of EUR 3,203.92 as court costs. Appeal within 30 days of service. The appeal shall be lodged with the Bucharest Court - Civil Division VI. Up to the date of this report, the judgment has not been communicated to the parties.

The Group has recorded a provision in the amount of 105,831.42 lei in the financial statements as at 31.12.2023.

18.7. Significant change in the Issuer's financial position

18.7.1. A description of any significant change in the group's financial position that has occurred since the end of the last financial year for which audited financial statements or interim financial information have been published, or an appropriate negative statement.

During the first quarter of 2023, the Issuer carried out a capital increase operation with new cash contributions, during which it attracted RON 29.76 million. As a result of this operation, the Issuer's capital increased by the amount of RON 32,765,796.89 (related to 105,696,119 new shares, 100% subscription of the offer), the difference being represented by the conversion of debts resulting from the M&A activity carried out in recent years.

Section 19: Additional information

19.1.Share capital The information in paragraphs 19.1.1 to 19.1.7 of the historical financial information as at the date of the most recent balance sheet:

19.1.1. The amount of issued capital, and for each class of share capital:

(a) the total of the Issuer's authorized share capital;

At the date of writing, the authorized share capital is 240,000,000 common shares and 120,000,000 preferred shares.

At the date of the drafting of the Universal Registration Document, the subscribed and paid-up share capital of the Issuer is RON 63,417,671.40, divided into 634,176,714 ordinary, registered, common, dematerialised shares with a nominal value of RON 0.1.

(b) the number of shares issued and fully paid, and issued but not fully paid;

The number of shares issued and fully paid is 634,176,714 The number of shares issued but not fully paid is 0.

(c) the par value per share, or that the shares have no par value; and

The nominal value of a share is RON 0.1

(d) a reconciliation of the number of shares outstanding at the beginning and end of the year.
Indicate whether more than 10% of the share capital was paid up through assets other than cash during the period covered by the historical financial information.

Date of modification	Date of registration	Operation	Initial no. of shares	Final no. of shares
26.03.2021	21.05.2020	Share capital increase - with cash contribution by issuing a number of 18,178,550 new shares	229.049.725	247.228.275
22.07.2021	21.07.2021	Increase of share capital by granting free shares, 6:10	247.228.275	395.565.240
10.09.2021	21.07.2021	Increase of share capital by granting free shares, 1:10	395.565.240	420.288.068
21.10.2021	N/A	Share capital increase acc. to EGMS resolutions no. 12/25.04.2018; EGMS res. no. 4/26.11.2020; EGMS res. no. 5/26.11.2021; BoD decision no.7/18.08.2020; BoD decision no.10/17.12.2020;	420.288.068	455.669.736
10.11.2021	N/A	Increase of share capital acc. to EGMS resolutions no. 2 and no. 3/27.04.2021; BoD decision of 06.07.2021 and EGMS resolution no. 17/07.09.2021;	455.669.736	480.436.904
12.08.2022	21.07.2022	Share capital increase by granting free shares, (1:10) acc. To EGMS resolution no. 2/20.04.2022	480.436.904	528.480.595
20.04.2023	13.10.2022 634.176.714	Share capital increase with new cash contributions and conversion of receivables acc.		528.480.595

During the period covered by the historical financial information, no part of the share capital was paid up through assets other than cash.

19.1.2. If there are shares not representing capital, please state the number and main characteristics of such shares.

Not applicable.

19.1.3. The number, book value and nominal value of the issuer's shares held by or on behalf of the issuer or its subsidiaries.

At the time of writing, the Issuer holds no treasury shares in the Company.

19.1.4. The amount of securities convertible, exchangeable or accompanied by warrants, with an indication of the conditions and procedures for conversion, exchange or subscription.

Not applicable

19.1.5. Information about any acquisition rights and/or obligations relating to authorised but unissued capital, or any commitment to increase share capital, and their terms.

The Extraordinary General Meeting of Shareholders of September 2021 granted the management of the Issuer the authorization to increase the share capital by a maximum number of 240,000,000 common shares and 120,000,000 preferred shares.

19.1.6. Information concerning the share capital of any member of the group which is subject to an option or to a conditional or unconditional agreement providing for the grant of options over capital and details of those options, including the identity of the persons to whom they relate.

The Company's shareholders approved at the April 2021 and April 2022 general meetings incentive plans with options for key persons. Under these stock option incentive plans, members of the Issuer's management and other persons who can positively influence the group's results may receive the right to acquire shares of the Issuer at preferential prices, as follows:

1) The GMS in April 2023 approved a Long Term Equity Compensation Plan for key persons not named at the time of approval: maximum 7.5% of the Company's total shares. Exercise period: May-June 2026. Exercise price per share corresponding to the capitalisation of the Issuer on 21 April 2022. General Meeting of the Shareholders in April 2021:
2) Incentive plan for key persons not nominated at the time of approval: maximum 5% of the Company's total shares. Exercise period: May-June 2023. Exercise price per share corresponding to the Issuer's capitalisation on April 14, 2021. This incentive plan expired unexercised as per point 15.2. above
   General Meeting of the Shareholders in April 2022: Incentive plan for key persons not nominated at the time of
3) approval: maximum 5% of total company shares. Exercise period: May-June 2024.
   Exercise price per share corresponding to the Issuer's capitalisation on April 11, 2022.

19.1.7. Changes in share capital during the period covered by the historical financial information, showing any changes.

The figures in the table below are presented in RON, and represent the capital increase operations decided between 2021 and 2023:

Date of modification	Date of registration	Operation	Initial no. of shares	Final no. of shares
26.03.2021	21.05.2020	Share capital increase - with cash contribution by issuing a number of 18,178,550 new shares	229.049.725	247.228.275
22.07.2021	21.07.2021	Increase of share capital by granting free shares, 6:10	247.228.275	395.565.240
10.09.2021	21.07.2021	Increase of share capital by granting free shares, 1:10	395.565.240	420.288.068
21.10.2021	N/A	Share capital increase acc. to EGMS resolutions no. 12/25.04.2018; EGMS res. no. 4/26.11.2020; EGMS res. no. 5/26.11.2021; BoD decision no.7/18.08.2020; BoD decision no.10/17.12.2020;	420.288.068	455.669.736
10.11.2021	N/A	Increase of share capital acc. to EGMS resolutions no. 2 and no. 3/27.04.2021; BoD decision of 06.07.2021 and EGMS resolution no. 17/07.09.2021;	455.669.736	480.436.904
12.08.2022	21.07.2022	Share capital increase by granting free shares, (1:10) acc. To EGMS resolution no. 2/20.04.2022	480.436.904	528.480.595
20.04.2023	13.10.2022 634.176.714	Share capital increase with new cash contributions and conversion of receivables acc.		528.480.595

19.2. Memorandum and Articles

19.2.1. Where applicable, the register and the registration number in the register, a description of the issuer's object of activity and where it is set out in the memorandum and articles of association.

The Issuer's updated Articles of Association are available on the Issuer's website in the investors section and can be accessed here: https://investors.bittnet.ro/despre-bittnet/guvernanta-corporativa/

The Issuer’s main object and purpose is 6202 – Consultancy activities in information technology. This class includes the planning and design of computer systems that integrate hardware, software and communication technologies, and consultancy services that may also include user training.

The object and purpose are set out in ‘Article 5 – Company object and purpose’ of the Issuer’s updated Articles of Associations.

19.2.2. If there is more than one class of existing shares, a description of the rights, preferences and restrictions attached to each class.

Not applicable. Although the Issuer's Articles of Association provide for the possibility of issuing Preference Shares, at the time of writing there are only common/ordinary shares.

19.2.3. A summary description of any provision in the memorandum, articles of association, charter or by-laws that could have the effect of delaying, suspending or preventing a change of control of the issuer.

Not applicable

Section 20: Important contracts

20.1. Summary of each material contract (other than in the ordinary course of business) entered into by the issuer or any other member of the group during the two years immediately preceding the publication of the registration document. A summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the group which contains any provision under which any member of the group has any obligation or entitlement which is material to the group as at the date of the registration document.

According to the mandate granted by the GMS in September 2021, the Issuer could sign in 2022 and the following 2 years M&A acquisitions up to a total value of RON 200 million. During 2023, the issuer signed and integrated into the group structure two m&a transactions with Dataware Consulting and Kepler Management Systems according to current investor information reports submitted on the BSE news feeds. At the time of writing the company has not signed any new m&a transactions.

Section 21: Available documents

21.1. A declaration confirming that, during the period of validity of the document, the following documents may be consulted, as appropriate:

(a) updated articles of association and statutes of the issuer;
(b) all reports, correspondence and other documents, valuations and statements made by an expert at the issuer's request, parts of which are included or referred to in the registration document. An indication of the website on which the documents may be inspected.

During the validity period of the document can be consulted on the Issuer's website in the investors section (https://investors.bittnet.ro/) The updated Articles of Association, the Universal Registration Document and all relevant documents for shareholders. ________________________________

BITTNET SYSTEMS S.A., represented by Mihai Alexandru Constantin Logofatu, CEO

Annex 2– "Alternative Performance Measurements" about alternative performance indicators

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

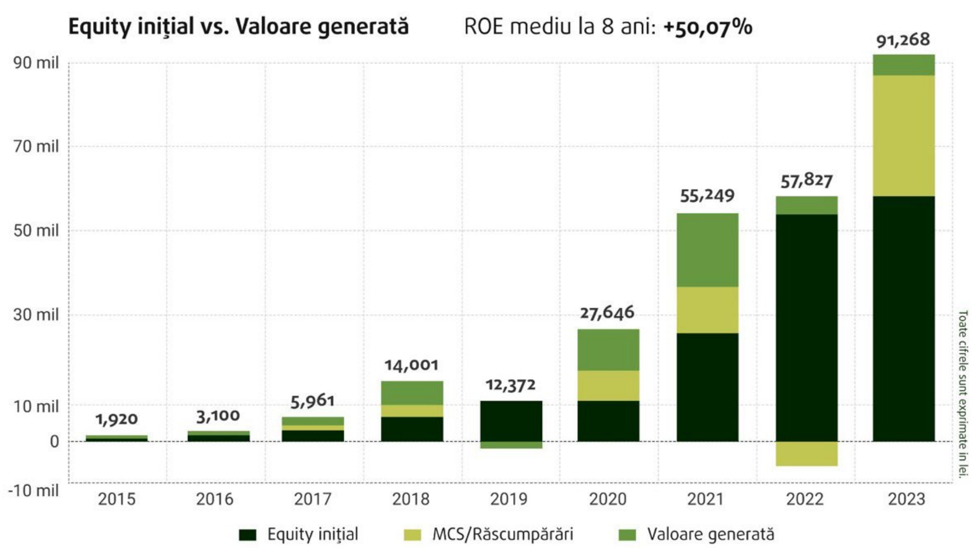
Indicator	Definition / Calculation method	Relevance
Operating profit	It is about the core business profit, i.e. the business of serving our clients. It takes into consideration all the incomes and expenses related to the current business and does not take into consideration the financial incomes and expenses, or those related to the holding-type business (of the group, i.e. us as a listed company). It is obtained by eliminating from the results of each line of business items of income and expenses (cash or non-cash) not related to the current activity. The most significant adjustments (differences between gross profit and operating profit) are: 1. Financial result elimination (expenses addition to the gross profit, and financial-type incomes subtraction) 2. Non-cash IFRS adjustment elimination, related to the Stock Option Plan 3. Elimination of other income and other expenditure items (non-recurring, non-core business items) 4. In the case of the 2021 statements, restated in 2023, with the application of the new conceptual framework for IFRS 3 business combinations - the costs of successful M&As, which were previously capitalised, have been derecognised from assets through P&L - this retrospective restatement has been excluded from the calculation of operating profit.	Operational business (also known as 'current' or 'core') means the company businesses. This measures the performance and the business activity in relation to the competition, regardless of the taxation environment, the reporting accounting framework or the company financing method (the mix of equity and loans, the costs of maintaining the stock exchange rate, etc.). That is to say, this is the result the company (or each business line) would have if it operated as a company fully financed by its own resources (by 'equity' – shareholders' equity).
„Gross margin", or 'gross margin', or „GM" or "margin"	The calculation formula for this indicator is the 'revenue MINUS COGS (cost of goods sold)'. Thus, the expenses directly related to those projects (obtaining those revenues) is subtracted from the invoices issued to clients. For the software license resale projects, we buy a license for RON 90 and resell it to the client for RON 100. The difference is the 'gross margin'. If we invoice a client for a cloud project implementation services, the gross margin is the difference between the revenues invoiced to the client and the man-hour cost required for implementation, regardless if the implementing engineer is our employee or a subcontractor.	This indicator is the company's "GDP", it is the "added value" we produce for our partners. This indicator reflects not only the value we bring to our clients, but also, by inward looking at the company, it reflects the amounts of money we have at our disposal to cover the fixed expenses.

Annex 3-BNET investment

Invest in BNET shares for the medium and long term if you want exposure to the Romanian IT&C industry, an area of accelerated growth, alongside a management team that not only has skin in the game but has demonstrated, in over 16 years, better than industry average results, both operationally and in terms of capital management.

Every decision we make is aimed at building an anti-fragile group, so that we have the most powerful force - time - at our side ("Time is the friend of the wonderful business, the enemy of the mediocre"). The second element is the combination of 'good operations' and capital management capability, as described in the book 'The outsiders - 8 outstanding CEOs'. A few arguments for each of the components of this investment thesis:

- Choosing an industry with favourable prospects is a decision that makes both the work of investors easier and the importance of choosing competent management less important: “a rising tide lifts all boats”. There is no industry in the last 20 years with more accelerated continuous growth than the IT&C industry.
- The existence of a management team with 'significant skin in the game' solves the 'principal-agent' problem so complained about by investors in the Romanian capital market. If the wealth of management comes from the same sources, through the same mechanisms as that of small shareholders, the most important conflict is eliminated. Thus, in our case, the value of BNET shares represents for management both the largest share of personal wealth and the largest share of income (unlike salary, the option-based compensation policy aligns management's income with the wealth brought to shareholders).
- Demonstrated operational track record: in addition to numerous international recognitions (Deloitte Top 50 in Tech, Financial Times Top 1000 Fastest Growing Companies, EY Entrepreneur of the Year finalists, etc.).
- Proven track record in terms of capital management: the growth rate of equity capital attracted historically, through capital market mechanisms, is over 25%, which also strengthens our confidence in the financial model adopted, which we intend to continue to apply as long as results continue to be visibly better than the market average.



Of course, some investors may find that any of the components of the investment thesis described above do not fit their investment style. However, we would like our shareholders to understand the "bet" they are making when they invest in Bittnet Group shares: that the vision of accelerated growth towards a turnover of RON 500 million generates a particular opportunity in the medium and long term and that the evolution of quarterly, half-yearly or annual results will continue to fluctuate. We, the management team, are here to clarify these fluctuations and guide our journey together towards revenues of RON 500 million annually, but the share price is not under our control, but is decided by investors and the overall capital market context. Our main focus in the coming years will be on extracting profit from the new size of the Group that has been built up over the last decade and which is approaching the critical mass we have set out to achieve. However, we are convinced that in the long term the value of the company will reflect the results of the business and the cumulative investments in the acquired and integrated companies over the years.

We conclude this chapter by reminding you that no investment in a company's shares is risk-free, and we ask that before deciding to invest, you carefully read the Risk chapters in the Universal Registration Document, or on the Investor Relations website.

Consolidated and Individual Financial Statements for 2023 &

Auditors' report 2023

Statement by the management

Logofatu Mihai Alexandru Constantin, as legal representative of the Chairman of the Board of Directors, confirm, based on the data in our possession, that the consolidated and individual financial statements of the Issuer, prepared in accordance with the applicable accounting standards, give a true and fair view of the financial position of the Group and of the Issuer, financial performance and cash flows for the year ended December 31, 2023 and that the Directors' Report (the "Annual Report") - presented in the form of the Universal Registration Document - gives a true and fair view of the development and performance of the Group's business and a description of the principal risks and uncertainties relating to the expected development of the Group.

The Annual Report of the Board of Directors of BITTNET SYSTEMS SA for the financial year 2023 was signed by Mr. Mihai Alexandru Constantin Logofătu as legal representative of the Chairman of the BoD.

Chairman of the BoD – Ivylon Management SRL, through representative Mihai Alexandru Constantin Logofătu.

LionLink Audit S.R.L.
Pţa. Avram Iancu, Nr. 15
Cluj-Napoca, România
Tel: +40 374 032 033
www.lionlink.ro

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bittnet Systems SA

Report on the Audit of the Consolidated Financial Statements

Qualified opinion

1. We have audited the consolidated financial statements of Bittnet Systems SA (the Company) and its subsidiaries (together referred to as "the Group") with official head office in Sergeant Ion Nutu, no. 44, One Cotroceni Park, Building A and Building B, 4th floor, sector 5, Bucharest, identified by sole fiscal registration number 21181848, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

   The consolidated financial statements as at and for the year ended December 31, 2023 are identified as follows:

   - Net assets / Total equity: RON 91,612,286
   - Net financial result for the year – Profit RON 823,662.

2. In our opinion, except for the effects of the aspects mentioned in paragraph 4 of the Basis of the qualified opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

3. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

TRANSLATOR'S EXPLANATORY NOTE: This translation of the auditors' report is provided as a free translation from Romanian, which is the official binding version.

Basis for qualified opinion

4. The audit opinion expressed on the consolidated financial statements of the Group for the financial year ended on December 31, 2022 prepared in accordance with the *Order of the Ministry of Public Finance no. 2844/2016 for the approval of the accounting regulations in accordance with the International Financial Reporting Standards, with the subsequent amendments and additions*, from which the corresponding amounts of the financial year 2022 were derived that are included in the consolidated financial statements of the Group for the financial year ended on December 31, 2023 has been modified due to the auditor's inability to determine whether adjustments were necessary to the income and expenses within the consolidated financial statements for the financial year ended December 31, 2022, in accordance with the provisions of the *International Financial Reporting Standard 15 Contracts with customers* regarding the revenue recognition policy for transactions in which the Group acts in its own name ("principal") or acts as an intermediary ("agent") in the case of the resale of software licenses, as these accounting policies are described in *Note 7 Revenues from contracts with customers* and *Note 29 Significant accounting policies*.

Other matter

5. The Group's consolidated financial statements for the year ended December 31, 2022, were audited by another auditor who expressed a modified opinion on these statements on March 27, 2023. The previous auditor's opinion was modified due to the revenue recognition policy in the case of the resale of software licenses and was maintained in this report due to the impact on the comparative figures, respectively the impact on the figures for the financial year ended on December 31, 2022 - see paragraph 4 above.

Key audit matters

6. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of consolidated the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

7. We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters (continued)

Key audit matter	How the matter was addressed during our audit
Revenue recognition Refer to Note 7 Revenues from contracts with customers and Note 28 Accounting policies point e). The Group's revenues mainly include revenues from the provision of IT solution integration services, training, sales of goods and licenses. Some services are provided with a 1 to 3 year warranty attached. Applying the principles of revenues from services recognition in accordance with the relevant financial reporting framework can be complex in light of the multitude of contract types and service mixes used within the Group. The analysis of the fulfillment of all the conditions stipulated by the IFRS 15 standard requires specific professional judgment. We considered this aspect to be a key aspect due to the above and because revenues represent one of the Group's key performance indicators and therefore there is an inherent risk of error due to error or fraud in relation to their recognition by management for meeting specific objectives or expectations.	Understanding and evaluating the process and controls over the existence and accuracy of recorded revenue, including detecting fraud and errors in revenue recognition. Verification on a sample basis of contracts with clients to verify the recognition of income in line with the accounting policies of the Group. Verification on a sample basis of the revenues recorded during the audited period by analyzing all relevant supporting documents. Performing procedures to test that revenue is recorded in the correct period by testing a sample of transactions recorded near the end of the financial year. Testing a sample of outstanding trade receivables at the end of the audited year by sending confirmation letters.

Other information

8. The other information comprises the Consolidated Administrators' Report, as well as Remuneration Report, but does not include the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information.

   Our audit opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

9. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

10. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

11. Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

12. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

13. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

14. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

15. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

16. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

LIONLINK

LionLink Audit S.R.L.
Pţa. Avram Iancu, Nr. 15
Cluj-Napoca, România
Tel: +40 374 032 033
www.lionlink.ro

Report on Other Legal and Regulatory Requirements

Reporting on Information Other than the Consolidated Financial Statements and Our Auditors' Report Thereon

17. In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Annual Report and Remuneration Report, we have read these reports and report that:
    a) in the Consolidated Administrators' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying consolidated financial statements as at December 31, 2023;
    b) the Consolidated Administrators' Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 articles 15 – 19 and 26-27;
    c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the financial statements as at December 31, 2023, we have not identified information included in the Consolidated Administrators' Report that contains a material misstatement of fact.
    d) the Remuneration Report identified above includes, in all material respects, the required information according to the provisions of article 107 (1) and (2) from Law 24/2017 on issuers of financial instruments and market operations.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

18. We were appointed as auditors of the Company by the General Meeting of Shareholders on October 30, 2023, to audit the consolidated financial statements for the financial year ended December 31, 2023. The total duration of our mandate covers the financial year ended December 31, 2023.

Consistency with Additional Report to the Audit Committee

19. Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on the same date as the issue date of this report.

Provision of Non-audit Services

20. No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Group and we remain independent from the Group in conducting the audit.
21. In addition to statutory audit services and services disclosed in the annual report and in the financial statements, no other services which were provided by us to the Company, and its controlled undertakings.

LionLink Audit S.R.L.
Pța. Avram Iancu, Nr. 15
Cluj-Napoca, România
Tel: +40 374 032 033
www.lionlink.ro

Report on the compliance of the electronic format of the consolidated financial statements, included in the annual consolidated report with the requirements of the ESEF Regulation

22. We have performed a reasonable assurance engagement on the compliance of the electronic format of the consolidated financial statements of Bittnet Systems SA ("the Company") and its subsidiaries (together referred to as "the Group") for the year ended 31 December 2023, included in the attached electronic, identified with the key „315700VUUQHM9VEDRO36-2023-12-31-ro" with the requirements of the Commission Delegated Regulation (EU) 2019 /815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation). Our opinion is expressed only in relation to the electronic format of the consolidated financial statements and does not extend to the other information included in the annual consolidated report.

Description of the subject matter and the applicable criteria

23. The Management has prepared electronic format of consolidated financial statements of the Group for the year ended 31 December 2023 in accordance and to comply with ESEF Regulation requirements.
The requirements for the preparation of the consolidated financial statements in ESEF format are specified in the ESEF Regulation and represent, in our opinion, applicable criteria for us to express an opinion providing reasonable assurance.

Responsibilities of the Management and Those Charged with Governance

24. The Management of the Group is responsible for the compliance with the requirements of the ESEF Regulation in the preparation of the electronic format of the consolidated financial statements in XHTML format. Such responsibility includes the selection and application of appropriate iXBRL tags using the taxonomy specified in the ESEF Regulation, ensuring consistency between the human-readable layer of electronic format of the consolidated financial statements and the audited consolidated financial statements. The responsibility of Group's Management also includes the design, implementation and maintenance of such internal control as determined is necessary to enable the preparation of the consolidated financial statements in ESEF format that are free from any material non-compliance with the ESEF Regulation.
Those charged with governance are responsible for overseeing the financial reporting process for the preparation of consolidated financial statements of the Group, including the application of the ESEF Regulation.

Auditor's Responsibility

25. Our responsibility is to express an opinion providing reasonable assurance on the compliance of the electronic format of the consolidated financial statements with the requirements of the ESEF Regulation. We have performed a reasonable assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000 (revised)). This standard requires that we comply with ethical requirements, plan and

perform our engagement to obtain reasonable assurance about whether the electronic format of the consolidated financial statements of the Group is prepared, in all material respects, in accordance with the applicable criteria, specified above. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error. Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with ISAE 3000 (revised) will always detect material non-compliance with the requirements when it exists.

Our Independence and Quality Management

26. We apply International Standard on Quality Management 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, which requires that we design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.
We have maintained our independence and confirm that we have met the ethical and independence requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code).

Summary of procedures performed

27. The objective of the procedures that we have planned and performed was to obtain reasonable assurance that the electronic format of the consolidated financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation. When conducting our assessment of the compliance with the requirements of the ESEF Regulation of the electronic (XHTML) reporting format of the consolidated financial statements of the Group, we have maintained professional skepticism and applied professional judgement. We have also:
    - obtained an understanding of the internal control and the processes related to the application of the ESEF Regulation in respect of the consolidated financial statements of the Group, including the preparation of the consolidated financial statements of the Group in XHTML format and its tagging in machine readable language (iXBR);
    - tested the validity of the applied XHTML format;
    - checked whether the human-readable layer of electronic format of the consolidated financial statements (XHTML) corresponds to the audited consolidated financial statements;
    - assessed the completeness of the tagging of information in the consolidated financial statements while using the machine-readable language (iXBRL) under the requirements of the ESEF Regulation;
    - assessed the appropriateness of the applied iXBRL tags selected from the core taxonomy and the creation of extensions to the elements in the extended taxonomy specified in the ESEF Regulation when there were no suitable elements in the core taxonomy;
    - evaluated the anchoring of the taxonomy extensions to the elements in the extended taxonomy specified by the ESEF Regulation.

LionLink Audit S.R.L.
Pţa. Avram Iancu, Nr. 15
Cluj-Napoca, România
Tel: +40 374 032 033
www.lionlink.ro

28. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the compliance of the electronic format of the consolidated financial statements with the requirements of the ESEF Regulation

29. Based on the procedures performed, in our opinion, the electronic format of the consolidated financial statements of the Group for the year ended 31 December 2023 is prepared, in all material respects, in accordance with the requirements of ESEF Regulation.

Refer to the original signed Romanian version

On behalf of,

LionLink Audit SRL
Avram Iancu Square, No. 15, Cluj-Napoca, Cluj County

Registered in the electronic Public Register under No. FA944

Sebastian Andrei Bichescu
Registered in the electronic Public Register under No. AF3109

Cluj-Napoca, Romania
March 22, 2024

BITTNET SYSTEMS SA

CONSOLIDATED FINANCIAL STATEMENTS

in accordance with
Order of the Minister of Public Finance
no. 2844/2016, as further amended,
for the financial year ended on
31 December 2023

bittnet group

TABLE OF CONTENTS

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

CONSOLIDATED SITUATION OF COMPREHENSIVE INCOME

	Note	2023	2022
Revenues from contracts with customers	[7]	375,532,179	192,156,489
Sales Cost	[8]	(309,389,400)	(149,412,267)
Gross margin		**66,142,779**	**42,744,222**
Other revenues	[9]	5,169,765	3,481,459
Sales expenses	[10]	(18,432,534)	(13,793,331)
General and administrative expenses	[11]	(41,734,919)	(24,999,980)
Other expenses	[9]	(689,691)	(2,145,821)
Profit/(loss) – Equivalent securities		(121,055)	273,630
Financial income	[13]	(1,523,074)	(3,320,483)
Financial expenses	[13]	(7,076,271)	(4,308,881)
Gross profit		**1,735,001**	**(2,069,186)**
Tax Profit	[14]	(911,339)	(123,400)
Net Profit, of which:		**823,662**	**(2,192,586)**
related to the parent company		(4,604,953)	(5,358,890)
related to minority interests		5,428,615	3,166,304
Other elements of the overall result		-	-
Total Global result		**823,662**	**(2,192,586)**
related to the parent company		(4,604,953)	(5,358,890)
related to minority interests		5,428,615	3,166,304
Earnings per share	[5]		
basic		(0.0076)	(0.0105)
diluted		(0.0069)	(0.0098)

The financial statements from page [3] to page [84] were approved and signed on 22 March 2024.

Mihai Logofatu
CEO

Adrian Stanescu
CFO

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 Dec 2023	31 Dec 2022
ASSETS			
Fixed assets			
Goodwill	[15]	89,398,214	57,528,189
Other intangible assets	[16]	9,653,554	9,077,001
Tangible fixed assets	[17]	32,699,563	27,808,467
Investments accounted for using the equity method	[18]	2,797,885	2,918,940
Other financial assets		695,988	2,426,167
Deferred tax	[14]	3,796,271	1,271,824
Total fixed assets		**139,041,714**	**101,030,589**
Current assets			
Inventory	[19]	4,226,836	2,777,973
Trade receivables and other receivables	[20]	79,561,980	60,697,390
Financial assets at fair value	[18]	11,356,744	13,790,384
Cash and cash equivalents	[21]	70,013,172	42,300,365
Total current assets		**165,158,731**	**119,566,112**
TOTAL ASSETS		304,200,445	220,596,701
EQUITY AND DEBTS			
Share capital		63,417,672	52,848,060
Issue premiums		31,934,768	9,738,583
Other equity items		(5,830,661)	(11,390,433)
Reserves		1,355,734	1,324,823
Reported result		(3,750,746)	1,149,789
Capital related to the parent company		**87,126,767**	**53,670,822**
Non-controlling interests		4,485,519	3,823,943
Total equity and reserves	[22]	**91,612,286**	**57,494,765**
Long-term debts			
Bonds	[23]	24,340,699	9,609,806
Bank loans	[24]	18,976,363	11,166,109
Leasing liabilities	[25]	19,184,756	19,290,728
Long-term debts		5,000,000	-
Total long-term liabilities		**67,501,819**	**40,066,644**
Current debts			
Bonds	[23]	47,458	25,194,352
Bank loans	[24]	8,542,343	13,998,791
Leasing liabilities	[25]	6,419,839	4,693,525
Dividends payable		3,265,428	500,942
Profit tax liabilities	[14]	622,641	284,250
Trade liabilities and other liabilities	[26]	126,188,631	78,363,431
Total current debts		**145,086,340**	**123,035,292**
Total liabilities		**212,588,160**	**163,101,936**
TOTAL EQUITY AND DEBTS		304,200,445	220,596,700

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

CONSOLIDATED SITUATION OF CASH FLOW

	2023	2022
Gross profit	**1,735,001**	**(2,069,186)**
Adjustments for:		
Depreciation expenses	9,047,336	4,424,982
Goodwill impairment adjustments	-	495,000
Expenses related to disposed assets	11,021	12,517
Benefits granted to SOP employees	1,073,576	890,381
Adjustments for the depreciation of receivables	285,407	198,849
Adjustments for inventory impairment	94,994	-
Expenses related to acquisitions of participating interests	689,691	1,650,821
Interest expenses and other financial costs	6,852,862	3,604,056
Interest income and other financial income	(547,343)	634,292
Loss from securities placements	2,070,416	3,411,090
Equity securities loss	121,055	(273,630)
Operating profit before working capital change	**21,433,816**	**12,979,173**
Variation of receivables account balances	32,566,404	(15,174,426)
Variance of the inventory accounts balances	38,968,927	2,240,336
Variation of accounts payable balances	(28,351,874)	19,341,027
Cash generated from operation	**64,617,273**	**19,386,111**
Profit tax paid	(3,685,917)	(1,391,092)
Net cash from operating activities	**60,931,356**	**17,995,019**
Investment activities:		
Payments for acquisition of subsidiaries/businesses, +/- cash acquired	(28,298,984)	(15,023,596)
Payments for the purchase of participation interests	(841,345)	(830,127)
Proceeds from the sale of participating interests	-	10,447,460
Loans granted to related entities	(600,000)	240,000
Acquisitions of tangible and intangible assets	(1,710,863)	(4,054,298)
Other investments in financial instruments	(119,071)	(4,179,499)
Proceeds from other financial investments	413,635	4,809,727
Collected dividends	68,661	134,220
Interest received	509,905	111,911
Net cash from investment activities	**(30,578,062)**	**(8,344,203)**
Financing activities:		
Proceeds from share issue	31,260,944	-
Repurchases/sales of own shares	4,550,607	(2,603,739)
Drawdown of bank loans	10,000,000	9,951,863
Repayments of bank loans	(24,868,831)	
Proceeds from bond issue	14,636,689	9,609,806
Repayments of bond issues	(24,403,700)	-
Payments of leasing liabilities	(7,231,873)	(2,956,494)
Interest paid	(5,968,724)	(3,326,805)

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

Dividends paid on minority interests	(615,600)	(1,428,279)
Net cash from financing activities	**(2,640,488)**	**9,246,353**
Net increase in cash and cash equivalents	**27,712,806**	**18,897,168**
Cash and cash equivalents at the beginning of the financial year	42,300,365	23,403,197
Cash and cash equivalents at the end of the financial year	**70,013,171**	**42,300,365**

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

CONSOLIDATED SITUATION OF CHANGES IN EQUITY

	Share capital	Issue premiums	Other equity items	Legal reserves	Reported result	Total capital	Non-controlling interests	Total equity
31 Dec 2021	48,043,690	14,542,953	(19,082,504)	1,114,139	6,719,360	51,337,639	1,164,851	52,502,490
Net profit	-	-	-	-	(5,358,890)	(5,358,890)	3,166,304	(2,192,586)
Other elements of the global result	-	-	-	-	-	-	-	-
Total Global result	-	-	-	-	**(5,358,890)**	**(5,358,890)**	**3,166,304**	**(2,192,586)**
Share capital increase	4,804,369	(4,804,369)	(9,895)	-	-	(9,895)	-	(9,895)
Benefits granted to SOP employees	-	-	890,381		-	890,381	-	890,381
Purchases/sales of own shares	-	-	(2,649,244)	-		(2,649,244)		(2,649,244)
Sale of minority interests	-	-	9,460,829			9,460,829	538,472	9,999,301
Non-controlling interests	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	(1,045,684)	(1,045,684)
Distribution of the legal reserve	-	-	-	210,683	(210,683)	-	-	-
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	-	-	-	-	(4,604,953)	(4,604,953)	5,428,615	823,662
Other elements of the global result	-	-	-	-	-	-	-	-
Total Global result	-	-	-	-	**(4,604,953)**	**(4,604,953)**	**5,428,084**	**823,662**
Share capital increase BNET	10,569,612	22,196,185	(64,411)	-	-	32,701,386	-	32,701,386
Share capital increases ISEC/Fort	-	-	-	-	-		1,070,063	1,070,063
Fort Private Placement	-	-	-	-	-		1,559,558	1,559,558
Benefits granted to SOP employees	-	-	1,073,576		-	1,073,576	-	1,073,576
Implementation of SOP	-	-	-	-	-	-	-	-
Purchases/sales of own shares	-	-	4,550,607	-	-	4,550,607		4,550,607
Non-controlling interests	-	-	-	-	-	-	(3,408,643)	(3,408,643)
Dividend distribution	-	-	-	-	(264,669)	(264,671)	(3,988,017)	(4,252,688)
Distribution of the legal reserve	-	-	-	30,911	(30,911)	-	-	-
31 Dec 2023	63,417,672	31,934,768	(5,830,661)	1,355,734	(3,750,746)	87,126,767	4,485,519	91,612,286

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

NOTE 1. GENERAL INFORMATION

Group structure and operational activities

The financial statements include the consolidated financial information of the parent company Bittnet Systems S.A. (the "Issuer"), headquartered in Bucharest, 44 Sergent Ion Nuţu street, ONE COTROCENI PARK, Building A & B, 4th floor, 5th District, Bucharest and the following subsidiaries, all of which are registered in Romania:

	31 Dec 2023	31 Dec 2022
SUBSIDIARIES - % ownership		
Dendrio Solutions	88.001%	88.001%
Dataware Consulting, 71,13% through Dendrio Solutions	100%	-
Top Tech, 46% through Dendrio Solutions	86%	86%
2Net Computer, through Dendrio Solutions	100%	100%
IT Prepared	50.2%	50.2%
Equatorial Gaming	98.99%	98.99%
Equatorial Training, by Equatorial Gaming	100%	100%
Computer Learning Center	100%	100%
Fort (formerly Global Resolution Experts)	58.87%	60%
GRX Advisory, through Fort	58.87%	60%
ISEC Associates, through Fort	58.87%	69.992%
Elian Solutions	51.02%	51.02%
Kepler Management Systems, 75,8% through Elian Solutions	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 working 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, Elian Solutions, Kepler Management Systems, Nenos Software, Nonlinear).

During FY2023, the average number of employees of the Group was 300. The following table shows the division by functional departments at the end of the fiscal years 2022-2023:

Dep.	31 dec 2023	31 dec 2022
Sales	48	51
Technical	215	122
Marketing	7	7
Delivery	73	60
Management	14	10
TOTAL	357	250

The consolidated financial statements include the results of the business combination by the acquisition method. In the statement of financial position, the assets, liabilities and contingent liabilities of the purchasing entity are initially recognized at their fair values at the acquisition date. The results of the acquired operations are included in the consolidated statement of comprehensive income from the date of obtaining control (Dendrio Solutions - September 2017, Elian Solutions - November 2018, Equatorial Gaming and Equatorial Training - December 2020, Computer Learning Center, ISEC Associates, IT Prepared, Nenos Software, Nonlinear - August 2021, Fort (formerly Global Resolution Experts) and GRX Advisory - December 2021, Top Tech and 2Net Computer - September 2022, Dataware Consulting - May 2023 and December 2023 respectively, Kepler Management Systems - November 2023).

Bittnet Systems S.A.

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

In February 2009, the company changed its legal status in the 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 abroad" (equity investment) from the business angel Răzvan Căpăţînă, 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 be listed on BVB, after an infusion of EUR 150,000 in the company, received from the Polish fund Carpathia Capital SA in exchange for a 10% stake.

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

From April 2018, the new structure of the group was adopted and the business structure of Bittnet Group was reorganized into two key segments: Education and Technology. Starting in 2023, the group has organised the Technology segment into 3 divisions/business 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, has led to the current dimension where the activity is organised in more independent centres (“cells”), in areas of interest - “development pillars” or “business units”, which represent sub-areas of activity in the IT&C Services area. Bittnet is today a conglomerate offering investors exposure to the entire IT&C industry in Romania.

Starting with June 2020, Bittnet shares (BNET symbol) are listed on the BVB Regulated Market and are part of the main BVB indices.

a) The Education Division

This division contains 4 companies (Bittnet Systems, Computer Learning Center, Equatorial Gaming and Equatorial Training, which are equal to the minority shareholding in The E-Learning Company), offering training to adults in two areas: Technical Skills and Human Skills in both traditional, face-to-face, Virtual Remote and instructor-led or eLearning formats. The trainings provided allow experts access to technology by teaching

IT skills, starting from basic skills (e.g: Microsoft Office Suite) to the most advanced ones (Cloud, DevOps, Cybersecurity). The business training portfolio includes project management, IT services management, business intelligence, CRM, ERP, Agile, etc.

Equatorial Gaming

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

In August 2020, Bittnet activated the conversion option on the loan of RON 1,050,000 granted in 2018 to 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. As a result of these transactions, Bittnet Systems reached a 98.99% ownership of the share capital of Equatorial Gaming SA.

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

Computer Learning Center

In August 2021, the Group informed investors about the signing of the share sale and purchase agreement for the acquisition of the IT training company - Computer Learning Center.

The purchase price for 100% of the Computer Learning Center (CLC) was RON 725,000, which was settled in 2 instalments: the first instalment, amounting to RON 225,000, was paid by payment order in August 2021, and the second instalment – amounting to RON 500,000, conditional on the removal of assets from CLC's patrimony that are not relevant to the company's current activity – was paid in January 2022.

Bittnet Group has thus strengthened its Education division and expanded its certification portfolio, particularly in the cyber security sector. CLC works with over 30 certified trainers and has delivered over 2,500 trainings to 15,000 participants in recent years.

Following the entry of Bittnet Systems into the shareholding, a loan agreement was also signed by the parties in September 2021 whereby Bittnet provided Computer Learning Center the amount of RON 560,000 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 RON 2,405,000 from October 2021 to June 2022, and then partially repaid from August to September 2022 and then increased again throughout 2023, the remaining balance as of 31.12.2023 amounted to RON 1,445,000.

Computer Learning Center has been consolidated in the financial statements as of September 2021.

The E-Learning Company S.A.

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

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

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

- the first instalment amounting to Ron 850,000 was fully paid in cash, the amount of 450,000 during Q1 2021, and the rest in April 2021. Brittnet's management has decided to pay in full the 1st instalment in cash considering the long period of time for processing the operation of clearing with shares to the founders of the previous M&A transactions – the acquisition of 25% of Softbinator and 99% of Equatorial Gaming.
- the second instalment amounting to RON 1,682,690 (calculated following the closing of the financial statements as at 31.12.2021) was paid 50% in cash in April 2022, and the remaining 50% (which would have been paid to the founders of E-Learning Company through settlement in BNET shares in a share capital increase operation) was also paid in cash, in March 2023, following the signing of an addendum to the sale-purchase agreement.

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

Following Bittnet Systems' entry into the shareholding, the parties also signed a loan agreement by which the Issuer made available to The E-Learning Company the amount of RON 240,000 for financing the working capital for a maximum period of 3 years and an interest of 10 % per year. The loan was repaid in full during May 2022. During 2023 a new loan agreement was signed between Bittnet Systems and ELC, the balance of which as at 31.12.2023 amounted to RON 600,000.

b) Cloud & Infrastructure Division (Digital Infrastructure)

This division contains 5 companies Dendrio Solutions, Dataware Consulting, Top Tech, 2Net Computer and IT Prepared) offering complex IT solutions to customers in the corporate, large corporate, enterprise and public sector segments throughout the country but also abroad (mainly CEE and USA).

The solutions offered start from physical communications infrastructure, 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 centre/hybrid or cloud, enterprise networking, cyber security platforms and the implementation of related software platforms, including collaboration platforms (modern workplace).

The services provided are both project-based and managed services, with managed services being delivered mainly to clients in mature markets, Europe and the United States.

Dendrio Solutions

During 2017, Bittnet Group acquired GECAD NET from Romanian entrepreneur Radu Georgescu. In the first half of 2018, GECAD Net was renamed Dendrio Solutions. Dendrio is the only "multi-cloud" hybrid solutions integrator in Romania, with a consolidated position as a certified company by the world's leading IT vendors, focusing on cloud and cybersecurity.

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

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

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

With Agista joining the shareholding, Dendrio is on its way to listing on the capital market either through a private placement or an initial public bid on the BVB, or through a merger procedure with a company listed on a regulated market or on a multilateral trading facility in a member country of the European Union.

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 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, while Bittnet Systems SA owns 40%. The total value of the transaction price is RON 12,874,306, of which RON 5,000,000 (2nd instalment) would be settled in BNET shares in a future capital increase; the cash component, worth RON 7,874,306 (1st instalment), was paid in full in September 2022. In March 2023, the parties signed an additional document to the share sale and purchase agreement, by which they agreed that the amount of RON 2,000,000.11, related to 2nd instalment, should be paid in cash by payment order, and the amount of RON 2,999,999.89 to be converted into BNET shares in the capital increase carried out in 1st quarter of 2023. The bank transfer was made 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 the joining of Agista Investments investment fund into the Top Tech shareholding. The transaction was carried out 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, in exchange of the amount of RON 3,000,000. Following the joining of Agista as an investor in Top Tech, the Top Tech shareholding structure is as follows: Bittnet Systems owns 160 shares, representing 40% of Top Tech, and Dendrio Solutions SRL owns a number of 184 shares, representing 46% of Top Tech.

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

2Net Computer

2NET Computer SRL is a Romanian company with over 20 years of experience in providing IT&C products and services, mainly in the Brasov area and the centre of the country for local and international clients present in Brasov, Harghita and Covasna counties. 2Net Computer provides products and technology solutions from the main international vendors, proving expertise in the following fields: design and implementation of technical security systems; technology solutions & services for setting up 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 RON 5,241,931, the amount paid in full in September 2022.

2Net Computer SRL has been consolidated in the financial statements starting from October 2022.

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 as of June 2023 through the acquisition by the Group of a 70% stake of the shares (following the M&A transaction, Bittnet Systems owned 18.87% and Dendrio Solutions owned 51.13%). The total price of the transaction amounted to RON 19,861,795, of which the equivalent of RON 5,000,000 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 sale and purchase agreement, the cash payment of this instalment was agreed in 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 EUR 3,000,000, to be paid as follows:

- partly in cash by Bittnet Systems, the equivalent in RON of EUR 1,000,000, instalment paid 2 days after signing the completion certificate in January 2024.
- partially in equivalent: respectively shares (stock) of Dendrio Solutions that will be allocated to the two founders of Dataware. They will also occupy 2 seats in the future Board of Directors constituted at the level of Dendrio Solutions and consisting of 5 members. 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. For the allocation of Dendrio shares in the account of the transaction price, Dendrio Solutions will increase its share capital and the conversion of receivables into Dendrio shares will also be done within this operation. The convertible value of the debt of the two Dataware co-founders will amount to EUR 1,000,000.
- partly in cash: EUR 1,000,000, 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 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.

Dataware Consulting has been consolidated in the financial statements as of June 2023.

IT Prepared (rebranded: Optimizor)

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 instalments:

- The first instalment, in the amount of USD 265,200, was paid in cash, in RON equivalent, immediately after the signing of the share slae and purchase agreement, by payment order to the two founding shareholders of IT Prepared;
- According to the share purchase agreement, 2nd instalment, 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 sale and purchase agreement, whereby they established that the payment of the 2nd instalment should be made in cash, by bank transfer in national currency. Following the bank transfers in March 2023, 2nd instalment is considered fully paid.
- The 3rd instalment, worth RON 1,078,768 (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 IT Prepared SRL was approved by the shareholders in the EGM of November 26, 2020. Taking into account that the financial and operational situation of IT Prepared SRL changed between the moment of approval granted by EGM and the moment of signing the investment agreement, the parameters of the transaction were renegotiated in favour of Bittnet, the final valuation being reduced by half (thus Bittnet took over 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 S.A. - formerly Global Resolutin Experts, GRX-Advisory and ISEC Associates) that provide 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 sale and 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 RON 295,000, the amount which was paid in a single instalment, by bank transfer, to the funding shareholder, Alexandru Andriescu.

ISEC Associates is a company founded in 2003 specializing in comprehensive security audit, consultancy and testing services. 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 joining of Bittnet Systems into the shareholding, a loan agreement was signed by the parties through which the Issuer made available to ISEC Associates the amount of RON 370,000 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 RON 650,000 in February-June 2022 and respectively in 2023.

ISEC capital increase – September 2023

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

Acquisition of ISEC by Fort – October 2023

Considering the new operational organization of the group in the 4 business pillars (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, namely 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 respect, the assignment contract of 26.10.2023 was signed between the former associates of ISEC Associates (Bittnet Systems, Mr. Andriescu Alexandru and Provision Software) – transferor partners and Fort – transferee partner. The agreement provides for the full sale of ISEC Associates to FORT for the amount of RON 2,850,000 (the price of the transaction was established by the Decision of the Fort GMS 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 shareholder 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 by converting the resulting receivables. Consequently, the transaction price did not involve the payment of any amount of money by Fort for the full purchase of ISEC.

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

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

Fort, formerly Global Resolution Experts S.A., (tax registration number 34836770), 60% owned by Bittnet Systems, is a professional services company in the cybersecurity area, providing penetration testing, but also design, implementation and maintenance of solutions of cybersecurity. Fort fully owns GRX Advisory SRL (CUI 43813325), with similar services.

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

The services provided by Fort are similar to those provided 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 RON 8,550 from the amount of RON 90,000 to the amount of RON 98,550 by allocating a number of 85,499 shares to the transferor partners 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 assignment of the ISEC shares to FORT and which were certified by the accounting expertise report dated 02.11.2023. This capital increase resulted from FORT's acquisition of 100% of ISEC Associates, whereby FORT acquired full control of ISEC. In addition to the subscribed and paid social capital, this operation also generated an increase in Fort's own capital, by recording the amount of RON 2,841,414 as share 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 analysing the subscription orders received during the placement period, the Board of Directors of FORT decided to successfully close the placement at the price of RON 50 per share. Thus, the subscriptions of 34 investors were accepted, and it was decided to increase the company's capital by the amount of RON 1,676,350, divided into RON 3,352.70 share capital and RON 1,672,997.30 share premium. Following the placement, Bittnet Systems' ownership in Fort is 58.87%.

Fort and GRX-A have been consolidated in the 31.12.2021 financial statements at balance sheet level only. As of January 2022, GRX 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 in the company that provides ERP solutions, Elian Solutions. Elian completed the offer of IT integration services by adding ERP solutions in the group's portfolio.

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

Kepler Management Systems

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

- RON 3,132,175, 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;
- RON 1,000,000 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 instalment, the payment of which was made during January 2024;
- additionally, the transfer price also includes a variable component determined by Kepler's individual EBITDA value, related to 2023, an instalment that will be paid at the end of the 1st quarter, 2024, after the closing of Kepler's individual annual financial statements.

Kepler Management has been consolidated in the financial statements as of 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 RON 4,850,000, price settled in two instalments, as follows:

- 50% of the transaction price (i.e. the amount of RON 2,425,000) 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 by allocating BNET shares in a capital increase operation. In March 2023, the parties agreed to sign an addendum to the sale-purchase contract of social shares, by which they determined that the payment of this instalment 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 the company Nonlinear SRL, the transaction price was RON 120 and it is equal to the nominal value of the transferred shares. Nonlinear had in 2020 a turnover of Ron 392,442 and a net profit of Ron 115,018, with 4 programmers employed.

Nenos Software is a custom software development company with a focus on Artificial Intelligence and Machine Learning (AI/ML). Nonlinear SRL is an SPV established to access European financing; the activity is one of product-based software development, focused on the development of a platform for digitalization and automation of processes 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 have been consolidated in the financial statements from September 2021.

The Group’s Management

On 29 January 2020, the General Shareholder Meeting approved the amendment of the articles of incorporation of the company in terms of its administration by a Board of Directors composed of 3 members.

Given the current size of the Group, the General Meeting of 20 April 2023 approved the extension of the Board of Directors to 5 members. The composition of the Board is according to the election results and it was completed by the two new members:

1) **Ivylon Management SRL** – Executive Director, by **Mihai Alexandru Constantin Logofătu**. On 31.12.2023, Mihai Logofătu held 55,651,882 shares, which represents 8.77% of the share capital. Mihai Logofatu is the co-founder of Bittnet Systems.
2) **Cristian Ion Logofătu** – non-executive administrator. On 31.12.2023, Cristian Logofătu held 53,592,812 shares, which represents 8.45% of the share capital. Cristian Logofatu is the co-founder of Bittnet Systems.

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

3) **Anghel Lucian Claudiu** – non-executive director, who holds 5,468,395 shares of the Issuer on 31.12.2023, i.e. 0.86% of the share capital.
4) **Rudolf Paul Vizental** – non-executive director, does not hold as at 31.12.2023 shares of the Issuer.
5) **Dynamic Data Drawings SRL** – non-executive director, through Anca Mănițiu. Anca Mănițiu holds on 31.12.2023 a number of 763,237 shares of the Issuer, representing 0.12% of the share capital.

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

NOTE 2. BASIS FOR DRAWING UP THE FINANCIAL STATEMENTS

a) Declaration of conformity

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

The consolidated financial statements were prepared on the basis of the historical cost convention and on the basis of the business continuity principle. The consolidated financial statements are presented in RON, which is also the functional currency of the Group.

The financial statements have been prepared for information purposes, for the purpose of and following the admission of the issuer Bittnet Systems SA to the regulated market and do not represent the statutory financial statements of the entity/group.

The main accounting policies adopted in the preparation of the consolidated financial statements are set out at Note 30 "Significant accounting policies".

b) Business continuity

The year 2023 was characterized by a slower traction, a prolonged period of project implemntation 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, were more carefully in purchases 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

c) New standards and interpretations, valid at 31 December 2023

IFRS 17 "Insurance contracts", including amendments to IFRS 17 issued by the IASB on June 25, 2020 - adopted by the EU on November 19, 2021 (applicable for annual periods beginning on or after January 1, 2023).

Amendments to IFRS 17 "Insurance contracts" - Initial application of IFRS 17 and IFRS 9 - Comparative information adopted by the EU on September 9, 2022 (applicable for annual periods beginning on or after January 1, 2023).

Amendments to IAS 1 "Presentation of financial statements" - Presentation of accounting policies (applicable for annual periods starting on or after January 1, 2023);

Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors" - Definition of accounting estimates (applicable for annual periods starting on or after January 1, 2023);

Amendments to IAS 12 "Income taxes" - Deferred tax related to assets and liabilities arising from a single transaction (applicable for annual periods starting on or after January 1, 2023);

The adoption of the new amendments to the existing standards did not have any significant impact on the Group's consolidated financial statements

d) New standards and interpretations, valid at 31 December 2022

The following amendments to existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- Amendments to IAS 16 'Leasing contracts' – Leasing debts in case of sale and leaseback (applicable for annual periods on or after January 1, 2024);
- Amendments to IAS 1 "Presentation of financial statements" - Classification of liabilities into short-term liabilities and long-term liabilities (applicable for annual periods starting on or after January 1, 2023);
- Amendments to IAS 1 "Presentation of financial statements" - Fixed liabilities with agreements (applicable for annual periods on or after January 1, 2024);

The group chose not to adopt these amendments to the existing standards before the effective dates of entry into force. The Group anticipates that the adoption of these standards and amendments to the existing standards will not have a significant impact on the consolidated financial statements of the Group during the initial application period.

e) New standards and amendments to existing standards issued by the IASB, but which have not yet been adopted by the EU

Currently, IFRS as adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following new standards and amendments to existing standards, which were not approved for use in the EU on the publication of the consolidated financial statements (the effective dates mentioned below are for the IFRS standards issued by the IASB):

- IFRS 14 "Deferral accounts related to regulated activities" (applicable for annual periods starting on or after January 1, 2016) - The European Commission decided not to issue the approval process of this interim standard and to wait for the final standard;
- Amendments to IAS 7 "Statements of cash flows" and IFRS 7 "Financial instruments: Disclosures" - Financing agreements in the relationship with suppliers (effective date set by the IASB: 1 January 2024);
- Amendments to IAS 21 "Effects of Foreign Exchange Rate Variation" - Lack of convertibility (effective date set by the IASB: January 1, 2025)
- Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associated entities and joint ventures" - Sale of or contribution of assets between an investor and its associated entities or joint ventures and subsequent amendments (date of entry into force of has been postponed indefinitely by the IASB, but early application is permitted

The Group anticipates that the adoption of these new standards and amendments to the existing standards will not have a significant impact on the consolidated financial statements of the Group during the initial application period.

NOTE 3. ESSENTIAL ESTIMATES AND ACCOUNTING REASONING

TheGroup makes certain estimates and assumptions about the future. Estimates and reasoning shall be assessed on an ongoing basis on the basis of the historical experience and other factors, including expectations of future events that are considered reasonable in those circumstances. In the future, the real experience may differ from these estimates and assumptions. Estimates and assumptions that present a significant risk of generating a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below.

Essential reasoning

- Income recognition (Note 7) – principal/agent relationship;
- Bittnet brand recognition (Note 16);
- Recognition of the employee/collaborator loyalty program by offering actions - "SOP" (Note 22)

Estimates and assumptions

- The assessment at fair value of the shares held for sale (Note 18)
- Evaluation of the consideration related to the employee/collaborator loyalty program by offering actions – "SOP" (Note 22)
- Adjustments assessment of the receivables impairment (Note 20)

Except for the valuation of financial assets held for sale, the Group does not have any assets and liabilities included in the financial statements that require measurement and/or disclosure of fair value.

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

NOTE 4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The Group shall be exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Currency risk
- Other market price risks and
- Liquidity risk.

Along with all other businesses, the Group is exposed to risks arising from the use of its financial instruments. This note describes the objectives, policies and processes of the Risk Management Group and the methods used to assess them. Additional quantitative information on these risks is presented below, in these financial statements.

There haven't been any substantial changes over the reported periods in terms of the Group's exposure to the risks of its financial instruments, objectives, policies and risk management processes or the methods used to assess them in previous periods, unless otherwise specified in this note.

(i) Main financial instruments

The main financial instruments used by the Group, resulting in the risk of the financial instrument, are the following:

- Receivables and loans;
- Cash and cash equivalents;
- Variable rate bank loans;
- Bank loans and fixed-rate bonds;
- Business debts and other liabilities.

(ii) Financial instruments by category

FINANCIAL LIABILITIES	31 Dec 2023	31 Dec 2022
Bond issue loans	24,388,157	34,804,159
Leasing liabilities	25,604,595	23,984,253
Bank loans	27,518,706	25,164,901
Trade liabilities and other liabilities	118,165,602	72,238,862
Total	**195,677,060**	**156,192,175**

FINANCIAL ASSETS	31 Dec 2023	31 Dec 2022
Receivables and loans	72,383,557	60,612,486
Cash and cash equivalents	70,013,171	42,300,365
Total	**142,396,728**	**102,912,851**

(iii) Financial instruments not measured at fair value

Financial instruments that are not measured at fair value include cash and cash equivalents, receivables and loans, trade and other liabilities, bank loans and bonds.

Due to the short-term nature, the net asset value of cash and cash equivalents, trade and other receivables as well as trade and other liabilities, including loans, is close to their fair value.

General objectives, policies and processes

The Board of Directors has overall responsibility for determining the Group's risk management objectives and policies and, while retaining accountability for them, has delegated authority for the design and operation of the processes that ensure effective implementation of the objectives and policies to the Group's finance function. The Council receives monthly reports from the Group CFO examining the effectiveness of the processes implemented and the adequacy of the objectives and policies it sets.

The overall objective of the Board is to establish policies that seek to reduce risks as far as possible without unduly affecting the Group's competitiveness and flexibility. More details on these policies are given below:

Credit risk

Credit risk represents the risk that the Group's debtors may not fulfil their obligations at the due date, due to the deterioration of their financial situation. The group is less exposed to this risk due to the specificity of the products and services sold, which are addressed to companies of certain sizes, with a special financial situation.

The group analyses the new customers using specialized tools (sites with specific customer creditworthiness analysis) and has a strict procedure for documenting orders and providing services or delivering goods.

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

Additional relevant information on trade and other receivables, which are neither due or impaired, is provided at Note 20.

Cash in bank deposits and short-term deposits

The Group regularly monitors banks' credit ratings and at the reporting date no losses from counterparties' non-performance are expected. For all financial assets for which impairment requirements have not been applied, the net asset value represents the maximum exposure to the credit loss.

Market risk

Market risk arises from the use by the Group of interest-bearing, tradable and foreign currency financial instruments. There is a risk that the fair value or the future cash flows of a financial instrument may fluctuate due to changes in the interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk

The Group is exposed to the risk of rising interest rates, having contracted bank loans and from the issuance of bonds, in RON and EUR. Any increase in the interest rate will be reflected by the increase in financial costs. The Group regularly monitors the market situation to forecast the risk associated with the interest rate.

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

Most of the amounts borrowed currently have fixed annual interest. The weighted cost of borrowed capital is just under 9% per annum. We believe that the next financial period will be a period in which the fact that, for the most part, the price of the borrowed capital has been fixed will constitute a competitive advantage.

	31 Dec 2023	31 Dec 2022
Variable interest	27,518,706	25,164,901
Fixed interest	49,992,753	58,788,412
Total	77,511,459	83,953,313

On December 31, 2023, if interest rates related to loans in RON were 1 percentage point higher/lower, with all other variables held constant, gross profit for the year would be 275,187 lower/higher (31 December 2022: 251,649), mainly as a result of higher/lower interest expense on variable rate loans.

Currency risk

An important element of the market risk is the risk of exchange rate fluctuation. The group aims to be neutral against the fluctuation risk of the exchange rate. The activities carried out in this respect are:

- The Group avoids as much as possible the submission of "cross currency" sales offers (offers with the sale price expressed in other currency than the purchasing currency);
- If such offers are requested, clauses such as "variation limit" are included;
- All sale prices from the contracts are expressed in a foreign currency and are invoiced in RON at the exchange rate on the delivery date;
- The group does not operate with stocks;

Starting with fiscal year 2018, there was a need to contract financial products to ensure a fixed price for purchasing foreign currency. Several requests for tenders received from customers require tendering in a different currency than the purchasing currency. Thereby, the Group analysed and tested various financial solutions in this regard.

Once the export activity increases, the Group keeps the collected currency in the initial currency, in order to be able to make the payments directly in the currency of the external partner. This approach allows us to cancel the effect of the exchange rate fluctuation for the open invoices (because the losses recorded by increasing the value of the payment invoices are compensated by the gains produced by the increased value of the owned foreign currency). Especially with Dendrio's acquisition, the estimates collected from Bittnet's customers are more relevant for Dendrio's payments to external suppliers (Dendrio has significant purchases from external suppliers).

On 31 December, the Group's net exposure to foreign exchange risk was as follows (equivalent amounts in RON):

Net financial assets/(liabilities) in foreign currency	31 Dec 2023	31 Dec 2022
RON	(29,520,884)	(34,740,510)
EUR	(25,440,626)	(21,063,600)
USD	1,681,178	2,524,786

On 31 December 2023, if the EUR/RON exchange rate had been 1 percentage point higher/lower, with all other variables held constant, gross profit for the year would have been 254,405 lower/higher (31 December 2022: 210,636), mainly due to the revaluation of net financial assets denominated in EUR.

Other market risk

The Group holds some strategic equity investments in other companies that complement the Group's operations. The management considers that the exposure to market risk in this activity is acceptable in the circumstances of the Group, but it is much higher than the risk associated with an investment in government securities or stakes in investment funds, mainly due to the volatility and unpredictable evolution of share prices, both on short term and on long term.

The general risks associated with the direct or indirect acquisitions that the Group has carried out or will carry out in the future described under the subsection are fully applicable also with respect to Dendrio's acquisition of the IT&C Integration Activity from Crescendo.

From the perspective of the way the investment was structured, the qualification of an operation between Dendrio and Crescendo as a business transfer, both from a tax point of view and from the perspective of employees' rights (at local and EU level) is essential. However, this qualification depends on a number of aspects that show, among others, the independence and economic identity of the business that has been taken over. The Group's efforts have been and continue to be the identification of the Transferable Elements so that the IT&C integration activity to be taken over from Crescendo maintains these characteristics (independence and economic identity). However, in the event of a dispute which would call into question the qualification of the operation between Dendrio and Crescendo (e.g. with the tax authorities and/or the transferred staff), there is no guarantee that the same assessment will be made by the court concerned.

To the extent that the operation between Dendrio and Crescendo would be removed from the scope of the business transfer, the negative effects may consist of the ineffectiveness of taking over Crescendo's employees, considered, by the specificity of the activity taken over, the most important element of the business transfer concerned and/or the incurrence of the obligation to pay VAT by Dendrio to Crescendo (if VAT would not be considered part of the price) in the context of the Business Transfer Agreement, in such case generating a limited liquidity risk for Dendrio.

In addition to the particularities of Crescendo's IT&C Integration Acquisition Structure and relevant documentation, the specifics of the Acquired Activity and the Transferred Items pose challenges for the Group and Dendrio that may decisively influence Crescendo's integration, customer base, expected margins or cash flows, or achieve anticipated acquisition benefits, including expected growth or synergies.

Liquidity risk

Liquidity risk stems from the Group's management of the working capital and financial expenses and main repayments of its debt instruments. There is a risk that the Group will encounter difficulties in meeting its financial obligations as they mature.

It is the Group's policy to ensure that it will always have sufficient cash to enable it to cover its debts at maturity. To achieve this objective, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days. The Group also seeks to reduce liquidity risk by fixing interest rates (and therefore cash flows) on part of its long-term loans, and this is mentioned in the „interest rate risk" section above.

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

The following table shows contractual maturities (representing contractual cash flows of financial liabilities):

31 December 2023	Up to 3 months	3 to 12 months	1 to 2 years	Over 2 years
Bond issue loans	47,458	-	-	24,340,699
Leasing liabilities	1,384,712	5,035,127	5,401,807	13,782,949
Bank loans	2,378,112	6,164,231	6,423,531	12,552,833
Trade liabilities and other liabilities	100,620,194	12,545,407	5,000,000	-
Total	104,431,496	23,744,765	16,825,338	50,676,481

31 December 2022	Up to 3 months	3 to 12 months	1 to 2 years	Over 2 years
Bond issue loans	10,864,435	14,329,918	-	9,609,806
Leasing liabilities	997,312	3,737,984	4,557,220	14,691,737
Bank loans	1,468,501	12,530,290	1,684,079	9,482,031
Trade liabilities and other liabilities	61,077,991	11,160,871	-	-
Total	74,408,239	41,759,063	6,241,299	33,783,574

Relevant information on capital

The Group shall monitor the capital comprising all components of the equity.

The Group's objectives in maintaining capital are:

- protect the entity's ability to continue as a continuing concern so that it can continue to generate profits for shareholders and benefits for other stakeholders; and
- provide an adequate return to shareholders by establishing the prices of the products and services in line with the risk level.

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

NOTE 5. ACTION RESULT

The group presents both the basic result per share and the diluted result per share:

- the basic earnings per share are calculated by dividing the net profit for the current year attributable to the Group's shareholders by the weighted average number of shares over the period;
- the diluted earnings per share shall be calculated on the basis of the net profit, adjusted by the dilutive effect of the employee's share options.

The earnings per share are adjusted retroactively at the beginning of the first period reported for the increase in the number of shares resulting from capitalization.

The calculation of the result per share for the financial years 2022-2023 is presented in the following table:

	2023	2022
Net profit attributable to parent company (A)	(4,604,953)	(5,358,890)
Number of shares - beginning of period	528,480,595	480,436,904
Capitalization ofpremiums/retained earnings	-	-
Shares issued during the period against cash	105,696,120	48,043,691
Number of shares - end of period	634,176,715	528,480,595
Average ordinary shares in the period (B)	607,752,685	512,466,031
Dilutive Effect Shares (SOP)	79,272,089	70,895,672
Total average (C)	671,170,356	544,905,932
Earnings per share		
basic (A/B)	(0.0076)	(0.0105)
diluted (A/C)	(0.0069)	(0.0098)

NOTE 6. INFORMATION BY BUSINESS SEGMENT

Business segment reporting is carries out in a manner consistent with internal reporting to the main operational decision maker. The key operational decision maker, who is responsible for allocating resources and assessing business segment performance, has been identified as the Executive Management that makes strategic decisions.

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

- Education - this division is made up of 4 companies (Bittnet Systems, Computer Learning Center, Equatorial Gaming and Equatorial Training), offering training to adults in two areas: Technical Skills and Human Skills in both traditional, face-to-face, Virtual Remote and instructor-led or eLearning formats. The trainings provided allow experts access to technology by teaching IT skills, starting from basic skills (e.g: Microsoft Office Suite) to the most advanced ones (Cloud, DevOps, Cybersecurity). The business training portfolio includes project management, IT services management, business intelligence, CRM, ERP, Agile, etc.
- Cloud & Infrastructure (Digital Infrastructure) - This division is made up of 5 companies Dendrio Solutions, Dataware Consulting, Top Tech, 2Net Computer and IT Prepared) offering complex IT solutions to customers in the corporate, large corporate, enterprise and public sector segments throughout the country but also abroad (mainly CEE and USA).

  The solutions offered start from physical communications infrastructure, 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 centre/hybrid or cloud, enterprise networking, cyber security platforms and the implementation of related software platforms, including collaboration platforms (modern workplace). The services provided are both project-based and managed services, with managed services being delivered mainly to clients in mature markets, Europe and the United States.
- Cybersecurity - this division is made up of 3 companies (Fort S.A. - formerly Global Resolutin Experts, GRX-Advisory and ISEC Associates) that provide cyber security services to corporate, large corporate, enterprise and public sector clients from all over the country.
- Business applications & Software development - this division is made up of 4 companies: Elian Solutions, Kepler Management Systems, Nenos Software & Nonlinear.

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

  Nenos Software is a custom software development company with a focus on Artificial Intelligence and Machine Learning (AI/ML). Nonlinear SRL is an SPV established to access European financing; the activity is one of product-based software development, focused on the development of a platform for digitalization and automation of processes within small and medium-sized companies using low code/no code and machine learning technologies.

Gross margin is the main indicator that management monitors in assessing performance in each segment.

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

Sales costs are also tracked by segment, while other general and administrative costs have not been allocated.

OPERATIONAL RESULTS

2023	Education	Cloud&Infra	Cybersecurity	BA & Software	Total
Total income	14,106,165	327,820,937	16,750,250	24,430,309	383,107,661
Inter-segment revenue	(494,072)	(4,666,726)	(307,259)	(2,107,426)	(7,575,482)
Revenues from contracts with clients	13,612,094	323,154,211	16,442,991	22,322,883	375,532,179
Gross margin	6,454,603	49,402,350	3,129,937	7,155,889	66,142,779
Allocated sales costs	(4,712,228)	(11,343,858)	(810,266)	(1,188,173)	(18,054,526)
Unallocated sales costs					(378,008)
Margin, after cost of sales	1,742,375	38,058,492	2,319,671	5,967,716	47,710,246
Other revenues	(815,935)	1,509,928	3,206,771	29,672	3,930,436
Other unallocated revenue					1,239,329
Allocated operating expenses	(6,095,753)	(23,533,786)	(2,868,088)	(4,090,285)	(36,587,912)
Unallocated operating expenses					(5,147,008)
Operating profit	(5,169,314)	16,034,635	2,658,354	1,907,103	11,145,091
Other expenses					(689,691)
Financial income/expenditure					(8,720,399)
Gross profit					1,735,001

2022	Education	Cloud&Infra	Cybersecurity	BA & Software	Total
Total income	22,207,003	141,294,336	16,469,678	16,789,369	196,760,387
Inter-segment revenue	(748,053)	(1,560,118)	(1,421,156)	(874,570)	(4,603,898)
Revenues from contracts with clients	21,458,950	139,734,218	15,048,523	15,914,799	192,156,489
Gross margin	9,365,921	21,751,388	5,742,756	5,884,157	42,744,222
Allocated sales costs	(4,623,310)	(7,915,751)	(339,971)	(682,698)	(13,561,730)
Unallocated sales costs					(231,601)
Margin, after cost of sales	4,742,611	13,835,638	5,402,785	5,201,459	28,950,891
Other revenues	1,611,978	371,831	570,052	140,729	2,694,590
Other unallocated revenue					786,869
Allocated operating expenses	(6,850,591)	(11,383,652)	(2,331,080)	(3,090,572)	(23,655,895)
Unallocated operating expenses					(1,344,086)
Operating profit	(496,002)	2,823,817	3,641,757	2,251,616	7,432,369
Other expenses					(2,145,821)
Financial income/expenditure					(7,355,734)
Gross profit					(2,069,186)

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

ASSETS / LIABILITIES

2023	Education	Cloud&Infra	Cybersecurity	BA & Software	Total
Assets per segment	43,619,935	212,954,510	21,935,717	25,662,778	304,172,940
Unallocated assets					27,505
Total Assets					**304,200,445**
Debts per segment	14,768,108	158,220,060	4,090,556	7,990,730	185,069,454
Unallocated liabilities					27,518,706
Total liabilities					**212,588,160**

2022	Education	Cloud&Infra	Cybersecurity	BA & Software	Total
Assets per segment	61,383,109	126,115,365	15,445,352	13,412,859	216,356,685
Unallocated assets					4,240,016
Total Assets					**220,596,701**
Debts per segment	25,699,584	106,428,165	954,913	4,854,374	137,937,035
Unallocated liabilities					25,164,901
Total liabilities					**163,101,936**

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

NOTE 7. REVENUES FROM CONTRACTS WITH CLIENTS

Revenues from contracts with customers for the financial years 2022-2023 are detailed in the following table:

	2023	2022
Training services	12,722,158	20,726,951
IT solutions integration services	84,913,571	44,765,567
Revenues from the provision of services	**97,635,729**	**65,492,518**
Merchandise sales IT solutions integration	233,638,675	80,678,297
Resold licenses	44,257,776	45,985,674
Sale of goods	**277,896,450**	**126,663,972**
Total	**375,532,179**	**192,156,489**

Training services

Revenues from training services include experts' access to technology through the teaching of IT skills, from basic ones (e.g.: Microsoft Office Suite) to the most advanced ones (Cloud, DevOps, Cybersecurity). The business training portfolio includes 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, as well as online and offline exams.

Income is recognised at a specific point in time, on completion of the training following fulfilment of the performance obligation.

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

Revenue from services rendered is recognised in the period in which they are rendered and in line with the stage of completion. The provision of services includes the execution of works and any other operations that cannot be considered as the delivery of goods.

The stage of completion of the work is determined on the basis of the statement of work accompanying the invoices, acceptance reports or other documents proving the stage of completion and acceptance of the services rendered.

If the selling price includes a separate, contractually specified amount for the subsequent provision of services (as in the case of revenue from the sale of producer guarantee services), that amount is deferred (account 472 "Deferred income") and recognised as revenue during the period in which the services are rendered, but no later than the end of the period for which the subsequent provision of services was contracted. Conversely, the related expenses are deferred (account 471, "Prepaid expenses") and recognised in the same period in which the services are rendered.

Income from the sale of goods and licences

Revenue from the sale of goods and licences is recognised when the customer obtains control of the assets transferred.

Revenue from geographical perspective

Revenues are semi-professionally rendered and goods delivered to entities in Romania.

Essential reasoning

The Group has analysed in the light of the provisions of IFRS 15 whether it acts in its own name („Principal") in relation to the customers, namely whether it controls the promised goods and services before transferring the good or service to a customer.

Analysing the contracts for the sale of goods (hardware equipment and software licenses), Bittnet Group considers that in most cases it has the obligations in its own name, and therefore acts as "Principal" and not as an intermediary ("Agent"). To reach this conclusion, the Group analysed the ordering and delivery processes of the equipment and licenses, the moment of transfer of rights by the supplier to the Group and from the Group to the customer, and the occurrence of the risks associated with the control.

The Group sells the rights over the goods produced by the producers in combination with its own value-added services. These services are advisory and know-how services (often governed and certified by our partnership status with manufacturers), ensuring that the solutions sold to customers meet their specific requirements and needs. These services are an integral and essential part of our obligations to our clients, because these services do not provide separate value to clients, and are not billed separately. The combination of qualified consulting services (pre-sales and post-sales) and the goods produced by the manufacturers is, in fact, what ensures the benefit to the customers, as a solution tailored to their specific needs (e.g. providing various upgrade options and maximum flexibility) and law compliant. Also, even after the conclusion of the contract, during the whole duration of the contract, the Group is the sole point of contact and the sole responsible to the customer for any problems (in which case the Group's team solves the deficiencies and/or liaises with the manufacturer to rectify the problems) or additional requirements (e.g. software upgrade).

Even if the IT equipment or software licenses sold by the Group are produced by other entities, the Group's promise to its customers is not to produce those goods, but to deliver them, and often also to perform additional activities such as installation, customization, combination, activation, configuration, optimization and maintenance during operation – these being key elements of the performance obligations undertook towards customers. From the customer's perspective, the Group's promise represents a single performance obligation (i.e. the delivery of a customised and law compliant solution) and the Group undertook the performance risk for the entire solution, which attests to the Group's control over the products in the delivery flow. Regarding the delivery to the customer, this is performed by the Group – which takes actual possession of the goods (including the software activation keys) and transmits them to the final customer, along with the specific internal activation processes in the intended portals (processes performed by the Group team). Also, by means of the contracts concluded with manufacturers, the Group receives, according to its status as an authorized partner, the right to use the manufacturer's intellectual property, which is separate from the actual licenses sold to customers; as such, the Group controls the entire promise to the customer prior to delivery.

Although the Group does not normally incur inventory risk prior to receiving the order from the customer, from that moment on the Group takes over the inventory risk until the final transfer of control of the goods to the final customer. Even if by definition there is only one manufacturer for each type of equipment or software license sold to customers, the Group may decide to buy directly from the manufacturer, or from any other authorized supplier (distributor, importer, European, global wholesaler etc.). If, for any reason, the delivery to the customer is not completed, or is not successful (according to the obligations undertaken towards the customer), the Group will remain in possession of the goods without being able to return them to the supplier or sell them to another customer. Also, in certain situations the Group places advance orders with suppliers (i.e. before receiving the order from the customer) to secure volume discounts or to take advantage of favourable prices (thus voluntarily assuming the inventory risk), and subsequently transfers goods to customers as they confirm their purchase intentions.

In summary, the Group makes a promise to customers to deliver the goods, takes possession and control of the goods, and sets the selling prices through negotiation processes. The Group is free to set prices with customers; thus, the Group may grant additional discounts, or may request price increases to reflect currency risks, speed of delivery, risk of non-receipt from the customer, etc. In other words, to customers, the Group is the supplier of the goods, even if they are produced by manufacturers and/or delivered by distributors, and the Group is fully responsible for the proper delivery of agreed projects.

In addition, the Group bears the full credit risk for the entire value of the goods (hardware and software) – orders once placed with suppliers (either directly with the manufacturer or with authorised intermediaries) are non-refundable. In assessing the decision to initiate and/or continue business relations with customers, the Group only analyses the ability and the intention/goodwill of customers to pay invoices in due time. The Group has full control over the sales strategy, decides what goods and services to provide, deliver and ultimately implement/configure.

Notwithstanding the above, and taking into account also those mentioned in the interpretation (“agenda decision”) provided by the IFRS Interpretation and Maintenance Committee (“IFRIC - IFRS Interpretation Committee") in May 2022 regarding the resale of software licenses (“software resellers”), the Group analyses its commercial relationships with its customers in order to identify those cases where, during the year, only made occasional transactional deliveries of software licenses to a specific customer. The Group considers that such transactions represent resale of standard software licences, in the sense that in these cases the Group does not sell the rights associated with these software licences in combination with its own value-added services, but only intermediates their sale from manufacturers/distributors to end customers. As such, the Group has decided to amend the revenue recognition policy for the above mentioned categories of standard software licenses resold on a one-off basis (i.e. not combined with own value-added services), considering that in these cases it acts as Agent. Revenues from the resale of such standard software licenses were recognized on a “net” basis, i.e. the resulting gross margin was fully recognized as revenue, with zero cost of sales.

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

NOTE 8. SALES COST

The sales costs for the financial years 2022-2023 are presented in the following table:

	2023	2022
Selling cost of the goods IT solutions integration	211,125,931	70,551,177
Resold licenses	35,228,802	36,533,989
Other direct materials	330,171	550,054
Cloud services	5,347,206	5,364,091
Staff expenditure	26,253,188	14,862,581
Expenses with collaborators	10,065,597	8,427,193
Services provided by third parties	21,038,505	13,123,183
Total	309,389,400	149,412,267

NOTE 9. OTHER INCOME and OTHER EXPENDITURE

a) Other revenues

	2023	2022
Sale of White Hat app	-	1,483,740
Subsidies	3,667,562	697,349
Sale & lease-back IT equipment	389,506	1,232,366
Other	1,112,697	68,003
Total	5,169,765	3,481,459

Subsidies

The government grants are mainly represented by the European Funds project run by Fort (formerly Global Resolutions Experts), which will deliver an innovative solution based on artificial intelligence. The value of the whole project is 7.34 million lei, of which the European funding represents RON 5.74 million. The project was completed in 2023 and is expected to generate an estimated minimum revenue of RON 250,000 as of 2024 onwards.

In 2023, Fort recognized income from operating subsidies in the amount of RON 2,997,709 (2022: RON 543.000) related to covering the costs of the research phase of the project.

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

Sale of White Hat app

On 15.12.2022 a sale and purchase agreement was signed between Equatorial Training and Bluepoint IT Solutions for the sale of the White Hat application. The contract price is of EUR 300.000 and will be received by Equatorial Training in 3 instalments until 2025.

b) Other expenses

	2023	2022
Pre-acquisition costs of participating interests	689,691	1,650,821
Goodwill impairment	-	495,000
Total	689,691	2,145,821

Following a review of the cost recognition principles in accordance with IFRS 3, "Business Combinations", pre-acquisition costs of participating interests (specialised M&A consulting, financial and legal due-diligence services, legal services, etc.) were fully recognised in the period in which the services were rendered.

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

NOTE 10. SALES EXPENSES

The sales expenses for the financial years 2022-2023 are presented in the following table:

	2023	2022
Staff expenditure	8,658,888	5,060,654
Expenses with collaborators	6,223,463	6,177,884
Commissions and fees	524,540	445,727
Advertisement	3,025,643	2,109,066
Total	18,432,534	13,793,331

NOTE 11. GENERAL AND ADMINISTRATIVE EXPENSES

The administrative expenses for the financial years 2022-2023 are detailed in the following table:

	2023	2022
Materials	1,792,127	864,742
Staff expenditure	12,148,863	5,529,706
Provisions for unused leave	394,933	428,237
Expenses with collaborators	6,407,936	4,608,772
Amortization	9,047,336	4,424,982
Headquarters rent	362,488	539,265
Rental of equipment and machines	212,513	154,300
Travel and transportation	731,301	478,815
Insurance	614,888	254,900
Post and telecommunications	437,645	209,505
Donations	583,081	327,484
Receivables adjustments	285,407	198,849
Stock adjustments	94,994	-
Bank fees	389,179	189,398
Other third party services	7,941,815	4,766,804
Other expenditures	290,413	2,024,222
Total	41,734,919	24,999,980

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

NOTE 12. CLASSIFICATION OF EXPENDITURE BY TYPE

The classification of total operational expenses, by nature, for the financial years 2022-2023 is detailed in the following table:

	2023	2022
Materials and goods	213,248,229	71,965,973
Resold licenses	35,228,802	36,533,989
Staff expenditure	47,060,938	25,452,942
Provisions for unused leave	394,933	428,237
Expenses with collaborators	22,696,996	19,213,848
Amortization	9,047,336	4,424,982
Cloud services	5,347,206	5,364,091
Rentals	575,001	693,565
Commissions and fees	524,540	445,727
Advertisement	3,025,643	2,109,066
Travel and transportation	731,301	478,815
Insurance	614,888	254,900
Post and telecommunications	437,645	209,505
Donations	583,081	327,484
Receivables adjustments	285,407	198,849
Stock adjustments	94,994	-
Bank fees	389,179	189,398
Services provided by third parties	28,980,320	17,889,987
Other expenditures	290,413	2,024,222
Total operating expenses	**369,556,853**	**188,205,579**

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

NOTE 13. INCOME AND FINANCIAL EXPENSES

Details of revenues and expenses for the financial years 2022-2023 are presented in the following table:

INCOME/FINANCIAL EXPENSES	2023	2022
Interest income	547,343	90,607
Income/expenses from investments	97,282	(522,105)
Income/expenses from securities valuation	(2,167,698)	(2,888,985)
Bank interest	(2,882,169)	(1,300,663)
Factoring costs	(10,892)	(1,344)
Interest on issued bonds	(2,426,672)	(2,302,049)
Leasing interest	(1,367,887)	(740,163)
Net income/expenses exchange rate differences	(388,652)	35,339
Total	**(8,599,345)**	**(7,629,363)**

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

NOTE 14. PROFIT TAX

Details regarding the current and deferred profit tax for the financial years 2022-2023 are presented in the following table:

	2023	2022
Current profit tax	3,398,863	1,095,107
Deferred tax	(2,524,447)	(1,075,051)
Total income tax	**874,416**	**20,056**
Micro-enterprise tax	36,923	103,344
Total tax	**911,339**	**123,400**

Income tax reconciliation

	2023	2022
GROSS INCOME	1,735,001	(2,069,186)
Legal reserve	(30,911)	(22,561)
Non-taxable income	(1,445,245)	(5,781,854)
Non-deductible expenses	8,776,471	9,385,531
TAXABLE INCOME	9,035,316	1,511,931
Income tax (16%)	1,445,651	241,909
Sponsorship discount	(211,949)	(221,853)
OUG153 discount	(359,286)	(139,258)
Total income tax	**874,416**	**20,056**

Deferred tax

Payable and recoverable deferred taxes are valued at the effective 16% tax rate. Payable and recoverable deferred taxes as well as deferred tax expense/(income) recognized in the statement of comprehensive income are attributable to the fiscal loss, as well as the recognition in the consolidated financial statements of the pre-acquisition costs of participation interests. Details regarding the realization of receivables regarding deferred profit tax are presented in tab:

	2023	2022
Receivables regarding deferred tax to be recovered within 12 months	-	-
Deferred tax receivables to be recovered after more than 12 months	3,796,271	1,271,824
Total deferred profit tax receivables	**3,796,271**	**1,271,824**

Details regarding the change in receivables/debts regarding the deferred profit tax during the years 2022-2023 are presented in the following table:

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

Deferred tax assets	Pre-M&A costs	Fisacal loss	Total
1 January 2022	-	196,773	196,773
Registered/(credited) to the account of profit and loss	424,819	650,232	1,075,051
31 december 2022	424,819	847,005	1,271,824
Registered/(credited) to the account of profit and loss	**110,390**	**2,414,057**	**2,524,447**
31 december 2023	**535,209**	**3,261,062**	**3,796,271**

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

NOTE 15. GOODWILL

Details on goodwill are presented in the following table:

	31 Dec 2023	31 Dec 2022
Positive goodwill – DENDRIO	2,536,315	2,536,315
Positive goodwill – ELIAN	348,385	348,385
Positive goodwill – CRESCENDO	14,816,943	14,816,943
Positive goodwill – EQUATORIAL	2,886,334	2,886,334
Positive goodwill – CLC	2,756,124	2,756,124
Positive goodwill – ISEC ASSOCIATES	1,901,660	1,016,504
Positive goodwill – IT PREPARED	3,395,739	3,395,739
Positive goodwill – NENOS & NONLINEAR	4,688,289	4,688,289
Positive goodwill – FORT& GRX- A	8,781,392	8,781,392
Positive goodwill – TOP TECH	10,687,350	11,470,235
Positive goodwill – 2NET COMPUTER	4,439,126	4,831,931
Positive goodwill – DATAWARE	27,281,023	-
Positive goodwill – KEPLER	4,879,536	-
Total	**89,398,214**	**57,528,189**

Goodwill calculation:

	Acquisition cost	Net assets at fair value	% ownership on acquisition	Goodwill impairment	Goodwill
Dendrio Solutions	2,266,254	(270,061)	100%	-	2,536,315
Elian Solutions	510,000	316,768	51.02%	-	348,385
Crescendo	16,350,000	1,533,057	100%	-	14,816,943
Equatorial Gaming	4,646,000	1,277,570	98.99%	495,000	2,886,333
Computer Learning Center	725,000	(2,031,124)	100%	-	2,756,124
ISEC Associates	1,150,000	(1,131,330)	100%	-	1,901,660
IT Prepared	3,746,162	698,055	50.2%	-	3,395,739
Nenos Software & Nonlinear	4,850,120	266,344	60.97%	-	4,688,289
Fort & GRX-A	9,264,000	666,651	60%	-	8,781,392
Top Tech	12,874,307	2,186,957	100%	-	10,687,350
2Net Computer	5,128,266	689,140	100%	-	4,439,126
Dataware Consulting	34,859,495	19,741,531	100%	-	27,281,262
Kepler Management	5,677,582	798,046	100%	-	4,879,536
TOTAL					89,398,454

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

Details of the balance sheet items taken over at the acquisition date for the companies joining the Group in 2023 (Dataware Consulting - 31.05.2023 and Kepler Management Systems - 30.11.2023 respectively) are shown in the following table:

	Dataware Consulting	Kepler Management
Tangible & intangible fixed assets	4,571,603	248,188
Inventory	40,512,783	-
Trade receivables and other receivables	49,186,750	1,007,730
Cash and cash equivalents	1,812,679	889,258
Bank loans	(17,222,636)	-
Leasing liabilities	(472,720)	-
Trade liabilities and other liabilities	(73,660,503)	(1,347,130)
Tax Profit	(588,522)	-
TOTAL FIXED ASSETS	**4,139,434**	**798,046**

Goodwill recognition

For the Gecad acquisition (currently Dendrio), the Management analysed the "ongoing" contracts at the time of acquisition, meaning that they were signed before September 2017. Taking into account the business typology that both Bittnet and Gecad carry out in the area of activity "IT Integration", the Management appreciated that there are no identified contracts that could have been included in the asset category and generate a significant change in the financial position. In this analysis, we considered the existence of multi-annual contracts, which were about to generate revenues in the financial years 2018 and 2019, but whose gross margin wasn't significant, being rather marketing channels through which the Dendrio team maintains the relationship with customers, or by which it ensures Microsoft partner status. At the same time, the management considered that in both Dendrio and Bittnet cases, the most important part of the business is the ability to generate new projects, to be near the customers when they need them, and the ability to learn new technologies before customers, in order to provide value to the customers by installation, implementation, maintenance.

At the end of 2018, Dendrio took over the IT&C integration activity from Crescendo International, a company with 25 years of experience in Romania and foreign markets. For the business transfer from Crescendo International, Dendrio Solutions paid to Crescendo International the amount of RON 10.9 million and undertook to pay a difference in ratio with the "adjusted average EBITDA achieved by the IT&C integration activity prior to its transfer to the Beneficiary", if the top management team ensures the retention of human resources and commercial relations with the existing clients and key suppliers related to the transferred activity, in order to preserve the value of the IT&C integration activity taken over from Crescendo International SRL.

The value of the IT&C integration activity transferred from Crescendo International SRL consists mainly of the related human resources, which also includes a significant component of technical and commercial expertise and experience, and of the commercial relations with the main customers and suppliers, often based even on the relations with the people in the team who served them.

Based on the final financial results as at 31.12.2019, the amount of the additional remuneration was 1 X average adjusted EBITDA achieved by the IT&C integration activity before its transfer to the Beneficiary, i.e. RON 5.45 million. Consequently, the goodwill for this transaction increased from 9.37 million RON to 14.82 million RON.

In August 2020, Bittnet activated the option to convert the loan amounting to RON 1,050,000, granted in 2018 to Equatorial Gaming, the equivalent of 20.1% of the share capital. In August 2020 as well, the shareholders of Equatorial Gaming approved, by the Decision of the EGMS of 25.08.2020, the capital increase by contribution in kind of the shareholder Berteanu Daniel, representing the value of the brand "Equatorial playground for new habits". Following these operations, Bittnet Systems reached a holding of 38.62% of the share capital of Equatorial Gaming SA.

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. The transaction price was set to RON 2,546,000 and, according to the Decision of the EGMS, was partially settled in cash as well as in the form of BNET shares. During the same meeting, the Board of Directors was mandated to determine the percentage between the two settlement methods. As a result of these operations, Bittnet Systems reached a 98.99% stake in the share capital of Equatorial Gaming SA.

For acquisitions completed in August 2021 (Computer Learning Center, ISEC Associates, IT Prepared, Nenos Software & Nonlinear), December 2021 (Global Resolution Experts and GRX Advisory) and September 2022 (Top Tech and 2Net Computer) respectively, the Group carried out a purchase price allocation (PPA) exercise with an independent valuer to determine the fair values at the date of acquisition for all identifiable assets, liabilities and contingent liabilities of the acquired companies, which were initially recognised in the Group's consolidated statement of financial position.

For the acquisitions completed in May and December 2023 (Dataware Consulting) and November 2023 (Kepler Management) respectively, the Group will carry out a purchase price allocation exercise with an independent valuer during 2024.

Goodwill was tested for impairment at the end of the financial year.

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

NOTE 16. OTHER INTANGIBLE ASSETS

Intangible assets include mainly Bittnet Brand and software licenses.

	Brands	Licenses and other intangible assets	Total other intangible assets
Net value			
On 31 December 2021	**6,450,518**	**2,768,850**	**9,219,368**
M&A inputs		885	885
Inputs	(10,162)	2,286,518	2,286,518
Assignments/Transfer	-	(1,249,201)	(1,249,201)
Amortization	-	(1,170,407)	(1,170,407)
On 31 December 2022	**6,440,355**	**2,636,646**	**9,077,001**
M&A inputs		206,484	206,484
Inputs	-	1,499,859	1,499,859
Assignments/Transfer	-	(211,385)	(211,385)
Amortization	-	(918,405)	(918,405)
On 31 December 2023	**6,440,355**	**3,213,199**	**9,653,553**

Essential Reasons - Bittnet Brand (Recognition, Evaluation, Registration)

Bittnet brand

The Bittnet brand was purchased at the end of 2018 from the former owner, at a price equivalent to the value evaluated by an independent evaluator. The assessment was carried out by the cash flow method (DCF), having as reference a royalty of 5% of the turnover from the training activity, according to the previous licensing contract, the rate that is comparable to the market conditions.

Management has taken into account the fact that the Bittnet Mark is separable, i.e. it may be separated or divided by the entity and sold, transferred, authorized, rented or exchanged, either individually or together with a corresponding contract, asset or liability, and at the same time it has entered the Group's patrimony from contractual or other legal rights, regardless if those rights are transferable or separable from the entity or from other rights and obligations.

The Group controls the Bittnet Brand with the ability to obtain future economic benefits from the underlying resource and to restrict others' access to those benefits. The ability to control future economic benefits derives from legal rights the enforcement of which can be upheld in court - pursuant to the 8th Copyright Act.

Debt remission transaction registration

The debt from the acquisition of the brand was remitted to the founders of the company, Mihai and Cristian Logofatu, subsequently paid by transferring some assets from the personal assets of the founders to the seller of the Brand.

The management analysed the debt remittance transaction and concluded that it represents an income and not a capital operation. The transaction was made with the founders of Bittnet Systems as managers, considering the founders' commitment to minority shareholders to bear in their own name the cost for acquiring the brand, thus correcting the error in the past of not being diligent enough to register the brand at State Office for Inventions and Trademarks. The income resulted from debt remittance amounting to 5,786,000 was recognized in the financial year 2018 in the Statement of comprehensive result on the line "Other income".

Equatorial brand

Equatorial brand was added as a capital contribution in kind to the capital of Equatorial Gaming by the shareholder Berteanu Daniel in August 2020, at a price equivalent to the value assessed by an independent valuator. The assessment was carried out by the cash flow method (DCF), having as reference a royalty of 4% of the turnover from the training activity, the rate that is comparable to the market conditions.

Management has taken into account that the Equatorial Brand is separable, i.e. it can be separated or divided from the entity and sold, transferred, licensed, leased or exchanged, either individually or together with a corresponding contract, asset or liability, and that it has become part of the Group's assets from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Group controls the Equatorial Brand with the ability to obtain future economic benefits from the underlying resource and to restrict others' access to those benefits. The ability to control future economic benefits derives from legal rights the enforcement of which can be upheld in court - pursuant to the 8th Copyright Act.

Key reasons – indefinite lifetime

The brands were acquired in a business combination and are the only ones allocated to the business. It has been established that it has an indefinite useful life as there is no intention to abandon the brand name. The Group has the ability to maintain brand value for an indefinite period of time. Thus, the brand is not amortised but it is tested annually for impairment. As brands do not generate largely independent cash inflows, they are allocated to the Group's CGUs for goodwill impairment testing as part of the assets of the business.

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

NOTE 17. TANGIBLE ASSETS

Tangible assets mainly include office space layouts and equipment necessary for operational activities. Movements within tangible assets are presented in the table below.

	Leased spaces and fittings	Technical installations and machinery	Other equipment and furniture	Total fixed assets
Cost				
On 31 December 2021	356,708	4,426,882	277,018	5,060,607
Leasing inputs	20,970,488	5,167,289	-	26,137,778
M&As entries	56,150	306,924	645,988	1,009,062
Inputs	2,802,684	134,318	226,762	3,163,764
Assignment/Transfer	(537,362)	(746,337)	(12,208)	(1,295,907)
On 31 December 2022	23,648,669	8,959,172	1,137,560	33,745,401
Leasing inputs	4,951,466	4,415,273	-	9,366,739
M&As input	2,133,709	2,029,259	192,357	4,355,325
Inputs	1,842,260	2,000,426	633,812	4,476,498
Assignment/Transfer	(4,977,103)	(511,418)	(241,408)	(5,729,928)
On 31 December 2023	27,599,001	16,892,711	1,722,321	46,214,033
Amortization				
On 31 December 2021	-	2,519,758	188,336	2,708,093
Cost of the period	1,910,046	2,106,195	112,403	4,128,644
Assignment/Transfer	11,295	(898,595)	(12,504)	(899,804)
On 31 December 2022	1,921,341	3,727,358	288,234	5,936,933
Cost of the period	3,763,169	3,649,159	716,603	8,128,931
Assignment/Transfer	(17,587)	(452,584)	(81,223)	(551,394)
On 31 December 2023	5,666,923	6,923,933	923,614	13,514,470
Net value				
On 31 December 2023	21,932,078	9,968,778	798,707	32,699,563
On 31 December 2022	21,727,327	5,231,814	849,326	27,808,467
On 31 December 2021	356,708	1,907,124	88,682	2,352,514

No mortgages or guarantees were established regarding the tangible assets held.

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

NOTE 18. Securities

a) Investments accounted for using the equity method

	31 Dec 2023	31 Dec 2022
E-Learning Company		
Initial	2,918,939	1,996,839
Contingent consideration	-	782,690
Dividend distribution	-	(134,220)
Profit/loss investmens accounted equity method	(121,055)	273,630
Total	**2,797,884**	**2,918,939**

The E-Learning Company

In January 2021, Bittnet Group acquired a 23% stake in E-Learning Company. The investment was accounted for

	2023	2022
Revenues from contracts with customers	1,926,294	3,756,969
Sales Cost	(1,083,861)	(1,461,205)
Gross margin	**842,433**	**2,295,765**
Other revenues	13,535	12,388
Sales expenses	(108,778)	(63,914)
General and administrative expenses	(1,210,579)	(970,453)
Other expenses	(38,718)	(19,855)
Financial income/expenditure	(10,621)	(36,103)
Gross profit	**(512,728)**	**1,217,827**
Tax Profit	(13,599)	(28,135)
Net profit	**(526,327)**	**1,189,692**

using the equity method from the date it became associated party, i.e. January 2021. In applying the equity method, financial information as at 31 January 2021 was used.

In 2023, the Group recorded through equity accounted securities the share of ownership (23%) of the net loss realized by E-Learning Company. Summary of profit and loss account for 2023 at E-Learning Company is presented in the table below:

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

b) Other financial assets (securities) at fair value

	31 Dec 2023	31 Dec 2022
Softbinator Technologies	9,600,543	12,308,834
Arctic Stream	1,756,201	1,481,550
Total	**11,356,744**	**13,790,384**

Details of the evolution of securities at fair value in 2023 are shown in the table below:

	Arctic Stream	Softbinator Technologies
Value 31.12.2022	1,481,550	12,308,834
Inputs	-	119,071
Output	(385,013)	-
Re-valuation	659,664	(2,827,362)
Value 31.12.2023	**1,756,201**	**9,600,543**

Softbinator Technologies

Softbinator is a product development company, specialized in the design, development and launch of software products mainly in the fields of Fintech, MedTech/HealthTech and EdTech for customers in Europe, North America and Asia.

Softbinator is involved in the development of software products, web and mobile solutions for digitizing the education process, lifestyle/medical and health, e-payments, e-commerce, online gaming and has ticked in 2020 areas unexplored in previous years through digital banking (including crypto), the Internet of Things (IoT), Automotive and it explored a new vertical in e-commerce expertise: marketplaces.

In December 2020, Bittnet Group acquired a 25% stake in Softbinator Technologies for the amount of RON 8,127,500, the first investment of the group in a software development company. In December 2020, Bittnet held 22,500 shares, with a nominal value of RON 1 per share, out of a total subscribed and paid-up capital of RON 90,000, 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. Prior to the listing, Softbinator Technologies also announced its intention to conduct a private placement to raise capital to expand the company internationally.

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

- reduction of the nominal value of a Softbinator Technologies share from RON 1 per instrument to RON 0.1 per instrument / Following this operation, Bittnet Systems held 225,000 shares, representing 25% of the 900,000 shares issued by Softbinator Technologies.
- increase of the share capital by RON 10,000, which was allocated from the undistributed profit, by issuing 100,000 shares with a nominal value of RON 0.1.

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

Following the operations described above, Bittnet Group has reviewed the reclassification of the investment in Softbinator Technologies as of 30.09.2021 and it decidedits reclassification from equity securities to securities at fair value through the profit and loss account.

On 31.12.2023, the investment in Softbinator Technologies shares was revalued using the average trading price on the AeRO market on 31.12.2023.

Arctic Stream

Valuation at fair value

Arctic Stream is an IT integrator focused on the technologies of the American manufacturer Cisco Systems, competitor of Dendrio Solutions in this market segment.

In June 2021, the Group's management invested in the private placement organised prior to the listing of Arctic Stream (AST) shares on the AeRO-SMT market. In the private placement, Bittnet subscribed the amount of Ron 10 million, the intention being to make a significant investment by entering the Arctic Stream shareholding in a relevant percentage. Following the early closing from the first day of the placement and the massive over-subscription, the tender intermediary informed Bittnet that it had been allocated 74,632 shares of AST, which represents 1.78% of the share capital and 1.78% of the voting rights. The value of the investment in Arctic Stream shares amounted to RON 1,865,800.

On July 29, 2021, the AST shares entered into trading on the AeRO market at a price approximately 40% higher than the one from the private placement.

As at 31.12.2022 and 31.12.2023 respectively, the investment in Arctic Stream shares was revalued using the average trading price on the AeRO market as at 31.12.2022 and 31.12.2023 respectively.

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

NOTE 19. INVENTORY

Details of stocks are presented in the following table:

	31 Dec 2023	31 Dec 2022
Materials	252,523	88,947
Goods	3,974,313	2,689,027
Total	**4,226,836**	**2,777,973**

Reconciliation of stock adjustments:

	2023	2022
1 January	**20,700**	**1,062**
Adjustments during the period	94,994	20,700
Disposal of stocks	-	(1,062)
31 December	**115,694**	**20,700**

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

NOTE 20. TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables and other receivables are presented in the following table:

	31 Dec 2023	31 Dec 2022
Customer receivables	59,428,081	55,041,420
Adjustments for customer receivables	(698,898)	(413,256)
Contractual assets	4,456,880	446,206
Related party loans (Note 27)	637,438	-
Subsidies	2,891,562	791,144
Warranties	685,309	506,957
Other receivables	4,983,185	4,240,016
Total	**72,383,557**	**60,612,486**
Advances to suppliers	323,814	128,926
Prepaid expenses	6,858,701	1,456,194
Receivables from the state budget	691,896	925,951
Total, of which:	**80,257,968**	**63,123,557**
Fixed assets	695,988	2,426,167
Current assets	79,561,980	60,697,390

The item "Other receivables" as at 31.12.2023, amounting to RON 4,938,184, mainly consists of: receivable Bluepoint IT Solutions sale of White Hat app RON 1,765,651; receivable Graphein sale of Autodesk business RON 1,137,788; associated loan Synergetix Education project ADR RON 1. 052,147 (2022: receivable Bluepoint IT Solutions sale of White Hat app RON 1,765,651; receivable Graphein sale of Autodesk business RON 1,489,211; interim dividends Q3 2022 minority shareholders IT Prepared RON 846,600).

Statement of customers' net receivables per seniority:

	31 Dec 2023	31 Dec 2022
Inadequate	33,265,206	48,000,431
0-30	9,932,553	4,794,759
31-90	12,422,854	1,412,352
91-360	3,046,783	373,470
over 360	61,786	47,151
Total	**58,729,182**	**54,628,163**

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

Reconciliation of customer receivables adjustments:

	2023	2022
1 January	413,256	146,675
M&As adjustments input	412,768	
Adjustments during the period	31,510	275,672
Receivables cancellation	-	-
Resume adjustments	(158,636)	(9,181)
31 December	698,898	413,256

Significant estimates

Impairment adjustments for trade and other receivables are recognized on the basis of the simplified approach in IFRS 9. In this process, the probability of non-payment of trade receivables is assessed, based on historical experience regarding the non-payment risk. The experience of the previous years has shown that the risk of non-collection is low, with no significant losses in recent years. However, management has estimated and recorded adjustments to the outstanding receivables balance at the end of 2022 as follows: Bittnet – 0,5%; Dendrio – 0.5%; Elian – 5%; Equatorial Gaming – 10%; IT Prepared – 0,5%; Nenos Software 0,5%. At the end of 2023, management has estimated and recorded adjustments to the balance of uncollected receivables as follows: Bittnet – 0,5%; Dendrio – 0.5%; Elian – 1,5%.

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

NOTE 21. CASH SI CASH EQUIVALENTS

Details on cash and cash equivalents are presented in the following table:

	31 Dec 2023	31 Dec 2022
Bank in RON	60,710,941	27,607,614
Bank in RON - collateral cash	4,382,728	2,202,968
Bank in foreign currency	3,872,527	11,450,866
Bank in foreign currency – collateral cash	973,658	968,334
Cash in Cash Register	73,317	70,582
Total	70,013,171	42,300,365

Cash collateral deposits represent restricted cash - collateral in connection with cash and non-cash facilities contracted with bank lenders (Procredit Bank and Banca Transilvania).

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

NOTE 22. CAPITAL AND RESERVES

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

	31 Dec 2023	31 Dec 2022
Share capital	63,417,672	52,848,060
Issue premiums	31,934,768	9,738,583
Other equity items	(5,830,661)	(11,390,433)
Legal reserves	1,355,734	1,324,823
Reported result	854,208	6,508,677
Current global result	(4,604,954)	(5,358,888)
Total	**87,126,767**	**53,670,822**

a) Share capital

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

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

Shareholders and % shareholding	31 Dec 2023	31 Dec 2022
IMPETUM INVESTMENTS S.A.	13.33%	6.86%
AGISTA INVESTMENTS S.R.L.	13.75%	7.98%
Mihai Logofătu	8.77%	10.85%
Cristian Logofătu	8.47%	10.14%
Others	55.68%	64.17%
Total	**100%**	**100%**

Share capital increase through new contributions and debt conversion - March 2023

In the first 3 months of the year, a new capital increase operation was successfully carried out, as a result of which Bittnet's capital increased by the amount of RON 32,765,796.89, related to 105,696,119 new shares. Within this financing operation, 96,018,700 new shares worth RON 29,765,797 (90.84% of the entire volume of the bid) were subscribed, the difference representing the conversion of receivables resulting from the M&A activity carried out in the last years. As part of this operation, the Company's management decided to pay the consideration for the receivables resulting from the M&A activity partly in cash and partly by conversion into BNET shares. Thus, following the signing of the additional deeds with the Sellers from the M&A transactions, the value of the receivables converted into shares at the price of RON 0.31 was RON 2,999,999.89 and represented the non-cash part of the purchase price of Top Tech SRL.

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

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

Increase in share capital by incorporating reserves - July 2022

The share capital was increased by the amount of RON 4,804,369.10 by incorporating the share premium and issuing a number of bonus shares to the benefit of the shareholders as of the record date (1 bonus share for every 10 shares held), according to the EGMS Decision no. 2 of April 2022 and the additional opt-in procedure. Shareholders on the record date - 21 July 2022 - could opt online, between 29 July and 4 August, to leave these new shares at the Company's disposal for use in the key person incentive programmes approved in previous years by the AGM, in which case they would receive a cash distribution of 0.15 lei per 10 shares held on the record date.

During the option period, the Issuer received a total of 234 options from 234 shareholders representing a total of 205,693,904 voting rights, i.e. 43.34% of the Issuer's total voting rights. From the expressed options, 105 shareholders representing 175,297,189 voting rights, i.e. 36.93% of the total voting rights opted for OPTION 1 – ie for cash distribution and leaving the newly issued shares at the disposal of the company. The Company will distribute to these shareholders the amount of RON 2,629,453.80 starting from September 12, 2022, through the Central Depository system, with Banca Transilvania as paying agent.

On 12.08.2022, the Central Depository allocated, on the record date, shares in Section 1 to shareholders who opted out of the cash distribution or did not take any action during the option period. At the same time, the Central Depository charged to the Issuer's account a total of 17,529,692 treasury shares.

Following this operation, the subscribed and paid-up share capital of Bittnet, registered in the records of the Trade Register, ASF and Central Depository, amounts to RON 52,848,059.5 lei, divided into 528,480,595 BNET shares, each with a nominal value of RON 0.1.

b) Issue premiums

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

c) Legal reserve

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

According to Law 31/1990, each year at least 5% of the profit is taken to form the reserve fund, until it reaches at least one fifth of the share capital. Reserves representing tax facilities may not be distributed with implications on the recalculation of corporate income tax.

d) Other equity items

The Group recognises through other equity items mainly:

- acquisition/sale of treasury shares held
- loss resulting from the recognition and measurement of SOPs
- the impact of operations related to the implementation of the SOP

Treasury shares held

TREASURY SHARES	
Balance on 01.01.2023	23,970,745
Sales 2023	14,723,545
Balance on 31.12.2023	**9,247,200**

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

During January 2024, the Group sold all treasury shares held as at 31.12.2023.

SOP Recognition and Measurement

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

The Group settles transactions by issuing to option holders a number of shares equivalent (at market price) to the financial value of the option. The capital increase is made by lifting the pre-emptive right and on the basis of the Director's Decision.

As a result, although at an intermediate stage the “debt” is valued with respect to the settlement of the SOP, the economic substance of the transaction is that they are settled in shares. As a result, the Group has recognised the SOP transactions as being settled in shares, and has recognised and measured the services received in the Statement of Comprehensive Income and the corresponding increase directly in equity.

Transactions with employees and other collaborators providing similar services have been measured at the fair value of the equity instruments granted, as it has not usually been possible to reliably estimate the fair value of the services received.

Significant estimates - SOP assessment

Fair value measurement at grant date (as per IFRS 2) - the date of approval by the EGMS of each plan - is performed using the Black-Scholes model, using as values for the model:

- the spot price at the GMS date, i.e. the average split-adjusted price at t-1
- the strike price (at the reference date) according to each plan
- volatility, according to the analysis of the daily price of BNET shares, adjusted for splits
- risk-free interest rate, i.e. ROBOR 12M published at t-1

- number of shares of the company at grant date
- the dilution percentage of the Stock Option Plan

The full value of each plan is recognised in costs over the life of each plan.

SOP2020A & SOP2020B – "SOP2020"

By resolution no. 3 of the OGMS of 29 January 2020 the following were voted:

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

Additionally, by Resolution No. 5 of the AGM of 29 April 2020, the Company's shareholders voted an incentive plan with options for key persons with a duration of 2 years, worth a maximum of 5% of the Company's total shares.

Under this incentive plan, 24 key persons notified the company of the purchase of a total of 40,428,754 BNET shares under the option contracts entered into under the incentive plans "SOP2020A" and "SOP2020B" approved by the above-mentioned EGMS resolutions, hereinafter cumulatively referred to as "SOP2020".

The exercise price of the options under SOP2020 was calculated, according to the approved incentive plans, taking as reference the market capitalization as of 31.12.2019 for SOP2020A, i.e. the value of RON 113.000.000, respectively the market capitalization as of 21.04.2020, for SOP2020B, i.e. the value of RON 101.445.399. Thus, the resulting strike price is RON 0.235203/share for SOP2020A and RON 0.211152/share for SOP2020B.

Considering that the amounts of money that should have been paid by the key persons to the company on account of the shares acquired in SOP2020 through the exercise of the options could have been paid by various methods, one of them being the sale on the market of a part representing the equivalent of approximately 65% of the shares that are the object of SOP2020, and this additional volume could have unbalanced the balance between supply and demand, the Group's management took the decision that the 24 key persons would be settled in shares for the economic value of the options under the incentive programme, i.e. a total of 26,020,845 shares. The economic value of the option is the difference between the market price and the purchase price in the SOP (option strike price), multiplied by the number of options. The total number of shares was calculated by dividing the option's economic value by the price of RON 0.34 per share (the price approved by the GMS for the implementation of a buyback programme).

The allocation of shares representing the economic value of the option was made without the need for a cash consideration from the key persons. Thus, a total of 26,020,845 BNET shares, transferred by the Central Depository from the Issuer's treasury shares, were settled to the 24 key persons.

SOP 2021

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

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

SOP 2022

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

SOP 2023-2026 (Long Term Incentive Plan through Equity Participation in the Company)

By Decision No. 11 of the EGMS of 27 April 2023, the shareholders approved an incentive plan for key persons based on options for participation in the Company's capital. Compared to previous incentive plans, it has a duration of 3 years and a value of 7.5% of the Company's total shares.

NOTE 23. BONDS

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

	31 Dec 2023	31 Dec 2022
BNET23	-	4,690,017
BNET23A	-	9,639,901
BNET23C	-	9,991,667
BNET26E	9,689,651	9,609,806
BNET27A	4,899,486	
BNET28	9,751,562	
Accrued interest	47,458	872,768
Total, of which:	**24,388,157**	**34,804,159**
Long-term fraction	24,340,699	9,609,806
Short-term part (interest)	47,458	25,194,352

In 2016, 2017, 2018, 2022 and 2023, the Group carried out bond offerings maturing in 2019, 2022, 2023, 2026, 2027 and 2028, through which it raised "committed" financing of over RON 50 million from the capital market (all issues are listed on the BVB).

BNET23

On July 4, 2018, Bittnet successfully completed the third private placement of corporate bonds in the history of the Company. In the private offering, carried out from 26 June to 4 July 2018, Bittnet attracted an investment of RON 4.7 million.

BNET23 bonds have a nominal value of RON 100, a maturity of 5 years and an annual interest rate of 9%, payable quarterly. In accordance with the decision of the Extraordinary General Meeting of Shareholders of 25 April 2018, BNET23 bonds entered into trading in November 2018 on the AeRO ATS-Bonds market operated by the Bucharest Stock Exchange, under the BNET23 symbol.

The BNET23 bond issue was redeemed by the Issuer at maturity. Thus, on July 05, 2023, the nominal value was reimbursed to the holders, and at the same time the last coupon related to this issue was paid.

BNET23A

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

BNET23A bonds had maturity at 5 years, a fixed interest rate of 9% per year, payable on a semester basis and the allocation date was 28.12.2018. The BNET23A bond issue entered into trading on the ATS-Bond market of the Bucharest Stock Exchange on February 18, 2019.

The BNET23A bond issue was redeemed by the Issuer at maturity. Thus, on 28.12.2023 the nominal value was refunded to the holders and then the last coupon related to this issue was paid.

BNET23C

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

BNET26E

From 21 to 27 December 2022, the issuer conducted a private placement offering of a corporate bond issue, denominated in euro, in which 20,596 bonds were subscribed by 53 individual, legal and professional investors. The amount raised in this bond financing round is EUR 1,961,144. The nominal value of the instrument is EUR 100/bond and the total amount of the issue is EUR 2,059,600. The annual coupon is 9% and will be paid quarterly via the T2S mechanism and the Central Depository. Redemption of the nominal amount is at 3.5 years and will take place on 30.06.2026. BNET26E bonds are traded on the BVB Reregulated Market, category dedicated to corporate bonds, as at 07.03.2023.

BNET27A

During the period 30 May - 21 June 2023, Bittnet Systems carried out the first public offering of corporate bonds on 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 interested investor having the possibility to subscribe in the price range RON 96 – 104 per bond, i.e. between 96% and 104% of the nominal value of the instrument. During the offering period, a total of 803 buy orders were placed and the closing price of the offer was RON 100, with a total of 71,814 bonds subscribed. According to the Offering Circular, the allocation of shares to the accepted subscriptions (placed at the offer price and above) was done pro-rata. Purchase orders at prices below the issue price will not be executed. The execution date of the transaction was 22 June 2023 and the settlement date of the transaction was 26 June. On 19 July 2023, BNET27A bonds started trading on the Regulated Market administered by the BVB.

BNET28

From 27 November to 12 December 2023, a maximum number of 100,000 corporate bonds, unsecured, with an individual nominal value of RON 100 and a total nominal value of RON 10,000,000 were put up for sale, with each interested investor having the possibility to subscribe in the price range of RON 94-106 per bond, i.e. between 94% and 106% of the nominal value. A total of 530 subscription orders were placed during the offering period across all price levels of the range, totalling an aggregate volume of 185,602 bonds. Given the Issuer's setting of the issue price at the nominal value of the bond (RON 100) and in accordance with the Offering Circular, the volumes subscribed at prices above the issue price were fully settled at the issue price (RON 100). Thus the volume of 87,446 bonds represents the guaranteed allocation in the offering according to the Offering Circular. For the volume of bonds subscribed at the price of RON 100/bond (i.e. for 71,050 bonds) the allocation was made pro-rata, the allocation index being 0.1766924701, resulting in a volume of 12,554 bonds. Purchase orders priced below the issue price were not executed. On 02.02.2024, BNET28 bonds were admitted to trading on the Regulated Market administered by the BVB.

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

NOTE 24. BANK LOANS

Details of the bank loans are shown in the following table:

	31 Dec 2023	31 Dec 2022
ProCredit long-term loans (BNET & DEND)	3,940,619	1,795,128
BT investment loan (DEND)	7,016,012	9,621,839
ProCredit investment loan (DEND)	9,381,614	-
ProCredit line 4.5 mil. (DEND)	3,610,155	4,500,000
BT line 1.6 mil. EUR (DEND)	-	4,620,807
Raiffeisen line 2.5 mil. (2NET)	905,351	-
Raiffeisen IMM invest (EQG)	-	93,360
Raiffeisen IMM Invest (2NET)	258,621	1,822,660
BRD IMM Invest (TT)	2,406,334	2,711,107
Total, of which:	**27,518,706**	**25,164,901**
Long-term fraction	18,976,363	11,166,109
Short-term fraction	8,542,343	13,998,791

The bank lending structure of the Group is mainly made up of revolving overdrafts aimed at short-term financing of specific projects. On the date of this report, the Group has loans to finance its current activity, both in national currency and in euro, with the following financial institutions: ProCredit Bank, Banca Transilvania, BRD, OTP Bank, Unicredit Bank, Raiffeisen Bank as well as several non-cash cap products for the issuance of various types of bank guarantee letters contracted from Procredit Bank and Banca Transilvania.

ProCredit Bank

In July 2023, Dendrio Solutions SRL signed the conversion of the revolving credit line of 4.5 million lei (contracted since 2019 from ProCredit Bank) into a loan with monthly repayments. Repayment will be made over a period of 36 months and the interest is: ROBOR6M+3%. At the same time, the cash collateral deposit for this product was released.

In February 2020, Bittnet Systems converted the loan product amounting to RON 2,790,000 also contracted with ProCredit Bank from a revolving overdraft into a loan with monthly repayments of principal and interest. The new maturity of the loan was set for a period of 36 months and the interest rate remained unchanged, ROBOR 3M+2.5%. The last instalment of this loan was paid in February 2023.

Also in December 2020, the Group informed shareholders of the signing of a bank loan agreement by Dendrio Solutions with ProCredit Bank. The total amount of the facility was 5,000,000 lei and the purpose of the loan is to finance Dendrio Solutions' working capital and current activity. The maturity of the product was 36 months and the interest rate was ROBOR 3M+3% per year. The collateral for this loan product was: cash collateral deposit for 10% of the facility amount. The last instalment for this product was paid in December 2023.

In May 2023, Dendrio Solutions contracted from ProCredit Bank, an investment loan in the amount of RON 10,000,000, for a period of 7 years, with monthly repayments of principal and interest for the purpose of acquiring the majority stake in Dataware Consulting SRL. The annual interest rate is ROBOR6M+2.50%. The guarantees provided are: chattel mortgage on Dendrio Solutions accounts opened with ProCredit Bank, chattel mortgage on the shares acquired by Dendrio Solutions (51.13% of Dataware), guarantee from Bittnet Systems SA as co-signer and guarantee issued by the European Investment Fund for 60% of the loan amount as well as collateral cash deposit for the amount of RON 2,500,000.

In May 2023, Dendrio Solutions contracted a non-cash cap bank product from Procredit Bank in the maximum amount of RON 2,300,000. The validity period is 36 months. The product is intended for the issuance of various types of BGLs (bank guarantee letters for participation in tender procedures; performance guarantee letters, etc.). Dendrio uses this product in order not to tie up its own cash in issuing BGLs.

In October 2023 Top Tech SRL contracted a non-cash product from ProCredit Bank in the maximum amount of RON 1,400,000 for a period of 12 months with the possibility of extension. The cap is used in the current activity for the constitution of bank guarantees of participation in tender procedures or of good performance for commercial contracts requiring such instruments. Top Tech uses this product in order not to tie up its own cash in issuing BGLs.

Banca Transilvania (BTRL)

On 06.09.2022 Dendrio Solutions contracted a credit product in the form of a cap - investment loan - from Banca Transilvania in the maximum amount of 11.000.000 lei for the financing of 75% of the price of the transactions for the acquisition of shares of Top Tech SRL and 2NET Computer SRL. The investment loan has been contracted for a period of 7 years and is repayable monthly in constant annual instalments. The annual interest rate is variable and consists of the 3-month ROBOR index plus the Bank's fixed margin of 2.50%. The guarantees provided for this loan product are a chattel mortgage on the Dendrio Solutions accounts opened with Banca Transilvania, a chattel mortgage on the shares acquired in the two companies, a guarantee from Bittnet Systems as co-signer, a guarantee issued by the European Investment Fund. Dendrio Solutions made 2 drawdowns from this cap, during 2022, after signing the closing documents with the selling shareholders of the two target companies, Top Tech and 2NET Computer, paying the consideration for the shares. The 2 drawdowns amounted to RON 9,724,885 and the repayment of the loan is made over a period of 7 years.

On 20.10.2022, the issuer informed investors about the signing of a credit agreement with Banca Transilvania The agreement is in the form of a cap/revolving overdraft facility in the amount of EUR 1,800,000 and was intended to finance the working capital and ongoing business of Dendrio Solutions. The maturity was initially set at 12 months with the possibility of extension and interest at EURIBOR 6M+2.15% per year. The Group's management chose in 2022 to explore the opportunity to borrow loans in foreign currency given the evolution of monetary policy interest rates, which led to higher interest costs on RON borrowings in the period 2020-2022, a trend that tends to reverse with Q3, 2023. In October 2023, Dendrio Solutions made the decision to put the balance it had drawn down/borrowed against this cap at that time (around EUR 900,000) and signed an additional product amendment with Banca Transilvania.

In December 2023, the extension and supplement of a loan product contracted by Dataware Consulting from Banca Transilvania was signed under the following conditions: Increase of the cap for working capital financing by RON 15,000,000 from RON 2,500,000 to RON 17,500,000. This banking product is used by Dataware for one-off financing of commercial contracts. The guarantees are: mortgage on bank accounts opened with Banca Transilvania, assignment of receivables resulting from the financed contracts and guarantee from Dataware Consulting's majority shareholder, Dendrio Solutions. The interest rate for this product is ROBOR3M+2.75% applied to the actual balance drawn from the cap. The period of use of the cap is 12 months from signature with the possibility of extension and the validity period is 24 months. The product is used on a revolving basis, through successive drawdowns, to provide the project pre-financing component - where applicable - for contracts with a long implementation cycle and involving the delivery of complex IT&C integration solutions.

Also in December 2023, Dataware Consulting signed an additional deed with Bnaca Transilvania for the additional amount of RON 3,000,000 to the non-cash cap for issuing bank letters of guarantee. The product is used in the current activity for the constitution of bank guarantees of participation in tender procedures or of good performance for commercial contracts requiring such security instruments. The company requested the bank to supplement the existing non-cash cap so that it would not be necessary to block its own cash in the guarantee instruments.

In October 2023 Dendrio Solutions contracted a non-cash product from Banca Transilvania in the maximum amount of RON 2,000,000 for a period of 12 months with the possibility of extension. The cap is used in the current activity for the constitution of bank guarantees of participation in tender procedures or of good performance for commercial contracts requiring such instruments. Dendrio uses this product in order not to tie up its own cash in issuing BGLs.

In October 2023 Top Tech contracted a non-cash product from Banca Transilvania in the maximum amount of RON 3,000,000 for a period of 12 months with the possibility of extension. The cap is used in the current activity for the constitution of bank guarantees of participation in tender procedures or of good performance for commercial contracts requiring such instruments. Top Tech uses this product in order not to tie up its own cash in issuing BGLs.

OTP Bank

In July 2023 the addendum for the extension of the revolving overdraft credit product for working capital financing between Dataware Consulting and OTP Bank was signed. The total amount of the facility is RON 1,500,000, the maturity is 12 months and the interest rate is ROBOR3M +2.5%.

Unicredit Bank

In February 2023 Elian Solutions signed the addendum to extend and supplement the loan product - revolving overdraft for working capital financing - contracted with Unicredit Bank. The agreement was extended for a period of 12 months and the cap was increased from 800,000 lei to 1,600,000 lei under the same conditions as the additional extension agreement signed in 2022, namely: interest rate: ROBOR3M+3%; maturity of the facility: February 2024; use of proceeds: to finance working capital and current activity. The structure of the guarantees consists of a chattel mortgage on the accounts of Elian Solutions SRL opened with Unicredit Bank, assignment of receivables and corporate guarantee letter issued by the majority shareholder Bittnet Systems SA. This product has been extended for a period of 12 months, the current maturity being February 2025.

Raiffeisen Bank

In August 2020, Equatorial Gaming contracted a credit facility from Raiffeisen Bank through the government's program 'IMM Invest' in the total amount of RON 495,000. The interest rate of the loan is ROBOR3M+2.5% per year and the maturity is 36 months. The last instalment was paid in August 2023.

In November 2023 the addendum of extension of the credit facility that 2Net Computer had contracted with Raiffeisen Bank was signed. The new maturity is 12 months. The extension was made under the same conditions as the original agreement. The amount of the facility is RON 2,500,000 and is intended to finance the working capital and the current activity of the borrower.

BRD

In April 2023, an addendum was signed agreeing to extend the maturity of the Top Tech cap contracted from BRD by 12 months. The facility is worth RON 1,500,000.

On 26.04.2022 a new credit agreement was signed between Top Tech and BRD whereby the bank made available to the borrower a cap amounting to RON 3,000,000 in total. The new maturity of the cap is 07.04.2025.

All Top Tech's loan products are contracted with BRD and are for working capital financing.

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

NOTE 25. LEASING LIABILITIES

The Group has concluded long-term operational leasing contracts for technical equipment with final terms in 2024-2027.

	31 Dec 2023	31 Dec 2022
Short-term fraction	6,419,839	4,693,525
Long-term fraction	19,184,756	19,290,728
Total	**25,604,595**	**23,984,253**

The reconciliation of lease liabilities and rights of use recognised as a result of the application of IFRS 16 is presented in the following tables:

Leasing liabilities	Spaces	Equipment	Cars	Total
On 1 January 2022	-	**880,535**	**337,180**	**1,217,715**
Inputs	20,463,780	3,238,112	1,296,240	24,998,133
Output	-	-	-	-
Interest and exchange rate differences	625,575	96,564	2,669	724,899
Leasing payments	(2,155,060)	(721,893)	(79,541)	(2,956,494)
On 31 December 2022	**18,934,297**	**3,493,409**	**1,556,547**	**23,984,253**
Inputs	2,402,676	2,096,172	2,891,091	7,389,939
Output	-	-	(70,653)	(70,653)
Interest and exchange rate differences	1,103,981	289,513	139,436	1,532,930
Leasing payments	(4,183,871)	(1,771,564)	(1,276,438)	(7,231,873)
On 31 December 2023	**18,257,083**	**4,107,530**	**3,239,983**	**25,604,596**

Rights of use	Spaces	Equipment	Cars	Total
On 1 January 2022	-	**696,991**	**416,367**	**1,113,358**
Inputs	20,463,781	3,374,844	1,086,446	24,925,071
Output		-	(3,973)	(3,973)
Amortization	(1,910,046)	(1,289,904)	(268,974)	(3,468,924)
On 31 December 2022	**18,553,735**	**2,781,932**	**1,229,867**	**22,565,534**
Inputs	2,391,381	2,741,823	3,221,705	8,354,909
Output		-	(68,962)	(68,962)
Amortization	(3,503,725)	(1,561,105)	(1,046,014)	(6,110,843)
On 31 December 2023	**17,441,392**	**3,962,650**	**3,336,596**	**24,740,638**

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

NOTE 26. TRADE LIABILITIES AND OTHER LIABILITIES

Trade and other liabilities are detailed in the following table:

	31 Dec 2023	31 Dec 2022
Suppliers	95,460,369	58,599,686
Employed debts	3,494,169	2,032,048
Other liabilities	234,451	319,257
Debts for the purchase of shares	17,545,407	11,160,871
Provisions	1,431,205	127,001
Total financial liabilities	**118,165,601**	**72,238,862**
Advances to customers	3,902	1,404,086
VAT	3,467,892	2,740,087
Other budget liabilities	1,672,742	1,281,186
Income in advance	7,878,495	699,210
Total, of which:	**131,188,632**	**78,363,431**
Long-term debt (acquisition of shareholdings)	5,000,000	-
Current debts	126,188,632	78,363,431

The item "Provisions" as at 31.12.2023, amounting to RON 105,831, is mainly composed of: provision for litigation Bucharest Mall & Development RON 105,831; penalties for EES Dataware project RON 1,139,237 (2022: unbilled production in progress for Fraher project RON 127,001).

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

NOTE 27. INFORMATION ON RELATIONS WITH RELATED PARTIES

Details of balances and transactions with related parties are provided below.

Remuneration paid to Key Management (identified in Note 1) is as follows:

	2023	2022
Management contracts	2,836,799	917,395
SOP expenditure	733,463	275,967
Total	3,570,262	1,193,362

As at 31 December 2023 the liabilities related to management contracts are in the amount of 210,844 LEI (31 December 2022: RON 87,093).

Receivables and loans	31 Dec 2023	31 Dec 2022
E-Learning Company - loan	600,000	-
E-Learning Company - interest	37,438	-
Total	637,438	-

The loan to The E-Learning Company was granted to finance working capital for a period of 1 year and at an interest rate of 10% per annum.

NOTE 28. CONTINGENT LIABILITIES

a) Protection of personal data

In the course of its work, the Group collects, stores and uses data that is protected by personal data protection laws. Although the Group takes precautions to protect customer data, in line with legal privacy requirements, there may be data leaks in the future. In addition, the Group works with suppliers or third parties acting as trading partners who may not fully comply with the relevant contractual terms and all data protection obligations imposed on them.

Unanticipated IT issues, system deficiencies, unauthorized access to the Group's IT networks or other deficiencies may result in the inability to maintain and protect customer data in accordance with applicable regulations and requirements and may affect the quality of the Group's services, as well as compromise the confidentiality of its customer data or cause service disruptions, resulting in the imposition of fines and other penalties.

Also, with the entry into force of the General Data Protection Regulation (EU) 2016/679 (GDPR), on 25 May 2018, the Group is subject to its personal data processing requirements, whose non-compliance may entail several types of sanctions, including fines of up to 4% of the overall turnover or up to 20 million EUR (whichever is higher); in addition, if they have suffered damage, data subjects may obtain compensation covering the amount of such damage and their rights may also be represented by collective bodies.

b) Risk associated with changing legislation and taxation in Romania

Changes in the legal and fiscal regime in Romania may affect the economic activity of the Company. Changes related to the adjustments of the Romanian legislation with the regulations of the European Union may affect the legal environment of the Group's business and its financial results. The lack of stable rules, legislation and cumbersome procedures for obtaining administrative decisions may also restrict the future development of the Company. In order to minimize this risk, the Group regularly reviews changes to these regulations and their interpretations.

Considering that the legislation increasingly leaves to the discretion of the fiscal body the interpretation of the application of the tax rules, in conjunction with the lack of funds to the state budget and the attempt by any means to bring these funds, we consider this risk a major one for the company, because it cannot be addressed in any way in a real and constructive preventive manner. The Group considers that it has paid all its fees, taxes, penalties and penalty interest on time and in full, as far as appropriate. In Romania, the fiscal year remains open for verification for 5 years.

c) Transfer price

In accordance with the relevant tax legislation, the tax assessment of a transaction with affiliated parties is based on the market price concept related to that transaction and the arm's length principle. Based on this concept, transfer prices must be adjusted to reflect market prices that would have been established between entities between which there is no affiliation relationship and which act independently, based on „normal market conditions".

The taxpayers conducting related party transactions are responsible to prepare transfer pricing documentation, which must be submitted at the request of the tax authorities during the tax inspection. Thus, it is likely that the transfer pricing checks will be carried out in the future by the tax authorities, in order to determine whether the respective prices comply with the "normal market conditions" principle and that the Romanian taxpayer's taxable base is not distorted.

d) Disputes

In the context of day-to-day operations, the Group is at risk of litigation, inter alia, as a result of changes and the legislation development. In addition, the Group may be affected by other contractual claims, complaints and disputes, including from counterparties with which has contractual relations, customers, competitors or regulatory authorities, as well as by any negative advertising it attracts. The Group management considers that these disputes will not have a significant impact on the Group's operations and financial position.

File 30598/3/2021 – litigation București Mall Development and Management S.R.L.

During 2021, the Group became aware of the existence of case 30598/3/2021 on the Bucharest Court's docket, in contradiction with the owner of the former office space - București Mall Development and Management S.R.L. ("Anchor" or "the Owner").

During February 2022, the Group (or "Tenant") became aware of the contents of this file and the amount of the claims, as follows:

i) RON 267,214.96 representing rent, service charge and utilities;

ii) RON 100,109.95 representing late payment penalties related to the principal amount; and

iii) RON 3,632,709.91 representing compensatory damages (penalty clause).

Taking into account the approval given by the GMS in September 2021 for the expansion of the office and classroom space, in order to accommodate the team that will result from the M&A operations already carried out, in addition to those that have been approved to be carried out in the next 3 years, the Group has exercised, pursuant to article 4.1 of the Contract, the option to expand the Space by an additional 3.500 sqm of office space, undivided 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 (which benefits from similar commercial and technical conditions - i.e. is a class A office building and is located within walking distance of a metro station)", based on the notification sent to the Owner on 10.12.2020.

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

following:

i) 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, namely its availability is conditional on the relinquishment (unlikely, as it follows from the communicated response) of its use by another tenant;

ii) the availability of the space differs, there being a gap of 3 months between the space available on the same floor (in area of 1,495.61 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 (i.e. different duration, the need to bear some refurbishment 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 by email sent on 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 has maintained and confirmed its position by refusing to pay invoices issued after the termination date in the absence of a contractual relationship.

Through the Notification dated April 23, 2021, the Group requested Anchor to deduct the remaining rent payments until the date of termination of the contract as a result of the unilateral denunciation by the Renter (i.e. the remaining rent payments 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 Anchor sent its own notice of termination of the Contract citing the fault of the Tenant for non-payment of invoices, at the same time requesting compensatory damages according to the penal clause. Also, on 1.09.2021, Anchor executed the Guarantee provided by the Renter according to Annex 5 to the Contract.

On 23.09.2021 the Group notified the Owner regarding the fact that the Notice of Termination sent on 04.08.2021 is without object, considering that the 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 ruling in this regard.

At the first term of the trial on 10.06.2022, the court asked the plaintiff to indicate the amount of the annual rent owed under the rental contract and the method of calculating it, the corresponding documents, with

the mention of proving the payment of the court fee of stamp, calculated at this value, until the next court term of 14.10.2022, under penalty of cancellation The plaintiff requested the re-examination of the stamp duty, a request that was rejected. The plaintiff paid the stamp duty in full.

By the closing of the hearing of 24.10.2022, the court postponed the ruling on the testimonial evidence after the submission of the answers to the interrogatories and an expert accountant was appointed to draw up the expert report with the following objectives, granted to the defendant:

1. The amount of Rent and Penalties owed by the Defendant outstanding on the date of the filing of the summons referred to 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. Correctness of the calculation of the amounts requested for payment by the claim, namely the amounts of RON 267,214.96, representing rent, service charge and utility costs, RON 100,109.95 representing late payment penalties and RON 3,632,709.91 representing compensatory damages, as requested by the plaintiff.

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. In view of the absence of the expert report the court granted a new deadline of 21.04.2023. The expert's report was filed on 16.06.2023, and the court stayed the ruling for 30.06.2023.

After successive postponements the court has ruled on 04.08.2023. Solution in brief: "Admit in part the application as specified. Orders the defendant to pay the plaintiff the amount of RON 102,627.51 by way of late payment penalties. Dismisses the other claims as unfounded. Orders the defendant to pay to the plaintiff the sum of EUR 3 203.92 by way of costs. Appeal within 30 days of service. The appeal shall be lodged with the Bucharest Court - Civil Division VI. Up to the date of this report, the judgment has not been communicated to the parties.

The Group has recorded a provision in the amount of 105,831.42 lei in the financial statements as at 31.12.2023.

File 30598/3/2021 – dispute Fraher Distribution

By application registered at the Court of Tulcea - Civil, Administrative and Fiscal Division on June 4th, 2020 under no. 665/88/2020, the plaintiff FRAHER DISTRIBUTION S.R.L., in adversarial proceedings against the defendant ELIAN SOLUTIONS S.R.L., requested to declare the termination of Contract no. 201/29.12.2017, with the consequence of putting the parties back in the previous situation, by the repayment by the defendant of the amount of RON 541.490,08; to declare the termination of Contract no. 202/29.12.2017, with the consequence of putting the parties back in the previous situation, by the repayment by the defendant of the amount of RON 344. 886.00 and order the defendant to pay the contractual penalties for late payment, as well as the amount of RON 129,103.38 by way of damages; declare that Contract No 240/21.03.2019 has been terminated and order the defendant to pay the amount of RON 33,868.59 by way of damages; order the defendant to pay the costs.

Elian Solutions has submitted a statement of defence in which it has requested that the application be dismissed and that the plaintiff be ordered to pay the costs.

By Civil Judgment no. 1898/2021 pronounced by the Bucharest Court, Civil Section-VI, the court found that Elian Solutions duly fulfilled its obligations under Contract no. 202/29.12.2017, regarding the provision of Microsoft Dynamics NAV 2017 software implementation services and implicitly provided support and maintenance services under Contract no. 240/21.03.2019. The court therefore found that the plaintiff did not prove that the conditions of contractual liability relating to tort, damage, causation and fault were met.

For those reasons, the Court dismissed as unfounded the action brought by the plaintiff FRAHER DISTRIBUTION S.R.L. against the defendant ELIAN SOLUTIONS S.R.L.

The appellant-plaintiff Fraher Distribution S.R.L. on 16.12.2021 filed an appeal against the civil judgment no. 1898/ 02.07.2021 pronounced by the Bucharest Court - Civil Division VI in case no. 665/ 88/ 2020.

At the deadline of September 7, 2022, the Court of Appeal approves for the appellant-plaintiff the written test 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. Let the expert determine if 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. Let the expert determine whether the implementation phases of the Microsoft Dynamics NAV 2017 program were completed late;

5. Let the expert determine whether all phases of the implementation have been executed or how many of the total number (implementation stage);

6. Let the expert determine whether the implementation of the Microsoft Dynamics NAV 2017 program has been completed;

7. Let the expert determine whether, given the current state, the Microsoft Dynamics NAV 2017 application is operating 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 forensic 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 the appeal.

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

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

- Partially reverses the judgment under appeal in that it orders the termination in part of contract No 201/29.12.2017 and orders the defendant to pay to the appellant-plaintiff the amount of RON 186,137,215.

- Upholds the remainder of the judgment under appeal.

- Admits the request of the forensic expert and order an increase in his fee of RON 5,000. Orders the appellant-plaintiff to pay the expert's fee of RON 5,000.

- Forces the respondent to pay the amount of RON 15,925 as court costs to the appellant-plaintiff, of which the amount of RON 5,000 under the condition of proof by the appellant-plaintiff of paying the increased fee of the forensic expert.

- The appellant-plaintiff is ordered to pay the amount of RON 5,672 as court costs to the respondent-defendant. Partially compensates the court costs up to the amount of RON 5,672.

- Subject to 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.

Up to the date of this report, the judgment has not been communicated to the parties.

The Group has recorded a provision in the amount of 186.137 lei in the financial statements as at 31.12.2023.

e) Environmental aspects

The implementation of environmental regulations in Romania is in the development phase and the application procedures are reconsidered by the authorities. Bittnet's professional activity has no impact on the environment. Acting in the field of 'services', our activity consists of acquiring knowledge and transferring it to customers, either during training courses or through consultancy, design and implementation services.

NOTE 29. SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies adopted when drawing up the consolidated financial statements are presented below.

a) Grounds for consolidation

If the Group has control over an investee company, it is classified as a subsidiary. The group controls the investee company if all three of the following elements are present: it has control over the investee company, there is exposure to variable returns from the investee company and the investee company has the ability to use its power to affect those variable returns. Control is reviewed whenever facts and circumstances indicate that there may be a change in any control elements.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they were a single entity. Transactions between companies and balances between group companies are therefore eliminated in their entirety. The consolidated financial statements include the results of the business combination by the acquisition method. In the statement of financial position, the assets, liabilities and contingent liabilities of the purchasing entity are initially recognized at their fair values at the acquisition date. The results of the purchased transactions shall be included in the consolidated statement of comprehensive income as of the control acquisition date. Subsidiaries shall be deconsolidated from the date on which control ceases.

b) Non-controlling interests

Non-controlling interests are disclosed in the consolidated financial position statement, within equity, separately from the shareholders' equity of the Parent Company. Changes in a parent's shareholding in the equity of a subsidiary that do not result in the loss of control by the parent over the subsidiary are equity transactions (i.e. transactions with shareholders in their capacity as shareholders).

c) Associated entities

If the Group has the power to participate in (but not control) the financial and operational policy decisions of another entity, it is classified as an associate entity.

Associated entities are initially recognized in the statement of consolidated financial position at cost. Subsequently, the associates are accounted for using the equity method, in which the Group's share of post-acquisition profits and losses and other comprehensive income is recognized in the consolidated profit and loss statement and other comprehensive results (except for losses exceeding the Group's investments in the associate entity, unless there is an obligation to offset those losses).

Profits and losses arising from transactions between the Group and its associates are recognized only to the extent of the interests of unrelated investors within the associate. The investor's share in the associate's profits and losses arising from these transactions is eliminated in relation to the carrying amount of the associate.

Any surplus paid to an associate above the fair value of the group's participation in identifiable contingent assets, liabilities and liabilities shall be capitalized and included in the carrying amount of the associated entity. Where there is objective evidence that the investment in an associate is not recoverable, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

d) Goodwill

Goodwill represents the excess cost of a business combination over the Group's interest in the fair value of acquired and assets, liabilities and identifiable contingent liabilities.

The cost comprises the fair value of the assets given, liabilities assumed and capital instruments issued, plus the value of any minority shareholdings in the acquirer.

The contingent consideration shall be included in the cost at fair value at the acquisition date and, in the case of contingent consideration, classified as a financial liability, subsequently revalued at profit or loss.

Goodwill is capitalized as an intangible asset and any impairment of net asset value is recorded in the consolidated statement of comprehensive income.

Where the fair value of identifiable contingent assets, liabilities and liabilities exceeds the fair value of the paid consideration, the excess shall be credited in full to the consolidated statement of comprehensive income at the acquisition date.

e) Revenue recognition

The Group recognizes revenues so that they can reflect the obligations to be performed in relation to the transfer of promised goods or services to customers with an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Obligations to be fulfilled and revenue recognition methodology

Most of the group's revenues come from the provision of IT services and training and integration, including the sale of goods, with revenues recognized at the time when control over the goods was transferred to the customer.

The performance obligations identified in Group's contracts are generally limited to the goods or services explicitly stipulated in that contract, without any tacit promises as a result of usual business practices, published policies or other specific statements.

If the selling price includes a separate, contractually specified amount for the subsequent provision of services (as in the case of revenue from the sale of producer guarantee services), that amount is deferred (account 472 "Deferred income") and recognised as revenue during the period in which the services are rendered, but no later than the end of the period for which the subsequent provision of services was contracted. Conversely, the related expenses are deferred (account 471, "Prepaid expenses") and recognised in the same period in which the services are rendered.

Determination of transaction price

Most of the income of the group is obtained from fixed price contracts and therefore the income amount to be obtained from each contract is determined by reference to fixed prices. In the estimation of contractual revenues, the component related to discounts granted to customers is deducted, when they are likely to decrease the value of the revenues.

Allocation of amounts to be executed

For most contracts, there is a fixed unit price for each product or service sold. Therefore, there are no reasoning applied in allocating the contract price for each product or service.

Costs for obtaining contracts

Most contracts are short-term, so any incremental commissions paid to sales personnel for the work performed to obtain the contracts are directly recognized in the comprehensive income statement, without being capitalized.

f) Subsidies

Grants are recognised when there is sufficient certainty that the Group will comply with the conditions of the grant and the grant will be received.

Grants for assets, including non-monetary grants at fair value, are recorded in the accounts as investment grants and they shall be recognised in the balance sheet as deferred income. Deferred income shall be recognised in the profit and loss account as depreciation expense is recognised or on the disposal of assets.

Grants that compensate the Group for expenses incurred shall be recognised in the income statement on a systematic basis in the same periods in which expenses are recognised and are presented in the income statement as items of operating income.

g) Impairment of non-financial assets (excluding inventories, real estate investments and deferred taxes)

Impairment tests on goodwill and other intangible assets with undetermined useful economic life shall be carried out annually at the end of the financial year. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount cannot be recovered. If the carrying amount of an asset exceeds its recoverable amount (i.e. higher value of use and fair value less selling costs), the asset is reduced accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is performed on the smallest group of assets to which it belongs, for which there are separately identifiable cash flows - its cash-generating units. Goodwill is allocated to the initial recognition of each of the Group's cash-generating units that are expected to benefit from a business combination giving rise to goodwill.

Impairment adjustments are included in profit or loss unless they represent reversals of gains previously recognized in other comprehensive income. A recognized impairment loss on goodwill is not reversed.

h) Balances and transactions in foreign currency

Transactions carried out by Group entities in other currency than the currency of the primary economic environment in which they operate (the "functional currency”) are recorded at the rates at the time of the transactions. Monetary assets and liabilities in foreign currency are converted at the rates at the reporting date.

Exchange rate differences arising on the restatement of monetary assets and liabilities shall be recognized immediately in profit or loss.

i) Financial assets

The Group's accounting policy for the classification of financial assets is as follows.

Amortized cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments and not listed on an active market. They are included in current assets, except those with a maturity of more than 12 months after the end of the reporting period. These are classified as non-current assets.

These assets come mainly from the provision of goods and services to customers (e.g. trade receivables), but also include other types of financial assets where the objective is to hold these assets to collect contractual cash flows and contractual cash flows are exclusively principal and interest payments. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently accounted for at amortized cost using the effective interest rate method, less adjustments for impairment.

Impairment adjustments for trade and other receivables are recognized on the basis of the simplified approach in IFRS 9, using an adjustment matrix in determining expected losses. The likelihood of non-payment of trade receivables is assessed in this process. This probability is then multiplied by the amount of expected loss resulting from non-payment to determine the expected credit loss for trade receivables. For trade receivables, these adjustments are recorded in a separate adjustment account, the loss being recognized within the general and administrative costs in the comprehensive income consolidated statement. Upon confirmation that the trade receivable cannot be collected, the gross carrying amount of the asset is written off against the associated adjustments.

Claims impairment adjustments with related parties and loans to related parties are recognized on the basis of an anticipated credit loss model. The methodology used to determine the amount of the adjustments is based on the existence of a significant increase in credit risk since the initial recognition of the financial asset.

For those for which the credit risk has not increased significantly since the initial recognition of the financial asset, credit losses expected for twelve months together with gross interest income are recognized. For those for which credit risk has increased significantly, estimated losses on receivables together with gross interest income are recognized. For those that are determined as obvious credit impairments, expected losses on receivables, together with interest income on a net basis, are recognized.

The Group's financial assets measured at amortized cost comprise trade receivables and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents include cash in hand, term deposits with banks, other extremely liquid short-term investments with initial maturities of three months or less, and - for the purpose of cash flow statement - bank overdrafts. Banking disclosures are presented in loans and loans in current liabilities in the consolidated statement of financial position.

Financial assets at fair value

The Group holds financial assets in the form of equity securities, which are recognised in the financial statements at fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

j) Financial liabilities

The Group's accounting policy for the classification of financial liabilities is as follows:

Bank loans and loans from the Group's reimbursable bond issue are initially recognized at fair value, net of any transaction costs directly attributable to the issuance of the instrument. Interest-bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense in the repayment period is at a constant rate on the balance of the liability recorded in the consolidated financial position statement.

Loans are classified as current liabilities unless the Group has an unconditional right to defer payment of the debt for a minimum of 12 months from the end of the reporting period.

For each financial liability, interest expenses shall include the initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable over time.

The Group does not hold derivative liabilities to be accounted for in the consolidated financial statement at fair value, with changes in fair value recognized in the consolidated statement of comprehensive income and has no trading obligations nor has it designated financial liabilities as at fair value through profit or loss.

k) Share-based payments (SOP)

The Group grants options for purchasing shares settled from equity to employees and collaborators.

The fair value of options at the date of granting shall be systematically recorded in the consolidated statement of comprehensive income for the period up to the exercise of the option. Non-market-based conditions of entry shall be taken into account by adjusting the number of equity instruments expected to be recorded at each reporting date so that ultimately the cumulative amount recognized in the vesting period is based on the number of options that may be paid. The conditions of non-qualification and the conditions of entry into rights are included in the fair value of the granted options. Cumulative expenditure shall not be adjusted for failure to fulfil a condition of entitlement or where a condition of non-qualification is not fulfilled.

l) Leasing

As of January 1, 2019, IFRS 16 replaced IAS 17 Leasing and related interpretations. The standard eliminated the accounting model for tenants and instead requires companies to bring most leases on the balance sheet within a single model, eliminating the distinction between operational and financial leasing.

In accordance with IFRS 16, a contract is or contains leasing if it conveys the right to control the use of an identified asset for a period of time in exchange for a mandatory payment. For such contracts, the new model requires a lessee to recognize a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the debt accrues interest. This will result in a model with higher payments at the beginning of the lease period of the expenses for most leases, even when the lessee pays constant annual rents.

The new standard introduces a number of exceptions to the scope for users which include:

- leases with a lease term of 12 months or less and which do not contain purchase options, and
- leases where the underlying asset has a low value ('low value' leasing transactions).

The Group has analysed all leasing contracts for the rental of equipment and premises where operates.

Transition method and Practical Exceptions used

The Group adopted IFRS 16 using the amended retrospective approach, recognizing transitional adjustments at the date of initial application (1 January 2019) without restating comparative figures. The Group has chosen to apply the practical exception not to reassess whether it is a contract or contains a lease at the date of initial application. Contracts concluded prior to the transition date that were not identified as leases under IAS 17 and IFRIC 4 have not been restated. The definition of a lease in accordance with IFRS 16 only applied to contracts concluded or amended on or after 1 January 2019.

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

IFRS 16 provides for certain optional practical exceptions, including those related to the initial adoption of the standard. The Group applied the following practical exceptions when applying IFRS 16 to leases previously classified as operating leases in accordance with IAS 17:

(a) applied a single discount rate to a rental portfolio with reasonably similar characteristics;

(b) excluded initial direct costs from the valuation of right-of-use assets at the date of initial application, where the right of use of the asset was determined as if IFRS 16 had been applied from the commencement date;

(c) it was based on previous assessments regarding whether the leases are onerous compared to the preparation of an impairment review in accordance with IAS 36 at the date of the initial application; and

(d) applied the exemption of not recognizing the rights of use of the assets and liabilities for leases with less than 12 months of lease remaining at the date of the initial application.

As a user, the Group has previously classified leasing as operational or financial leasing based on its assessment of whether the leasing contract has transferred substantially all the risks and benefits of ownership. In accordance with IFRS 16, the Group recognizes leasing assets and liabilities by right for most of the leasing. However, the Group has chosen not to recognize leasing assets and liabilities for some low-value asset leases based on the new value of the underlying asset for short-term rental with a lease term of 12 months or less.

When adopting IFRS 16, the Group recognized the rights to use of the leasing assets and liabilities as follows:

Classified according to IAS 17	Rights of use	Leasing liabilities
Operational leasing	Assets from rights of use are measured at an amount equal to the leasing debt, adjusted by the value of any amounts paid in advance or pre-empted.	Measured at the current value of the remaining lease payments, discounted using the Incremental Loan Rate of the Company as of January 1, 2019. The Incremental Loan Rate of the Company is the rate at which a loan could be obtained from an independent donor on comparable terms and conditions. The average rate applied was 5% p.a.
Financial leasing	Measured on the basis of accounting values for leasing assets and liabilities immediately before the date of initial application (carrying amounts, unadjusted).	

m) External purchased intangible assets

Intangible assets acquired externally are recognized initially at cost and subsequently amortized linearly over the useful economic life: Licenses – 3-5 years, with the exception of the brands which are tested annually for impairment.

n) Tangible fixed assets

Tangible assets comprise premises, equipment, machines furnishing and other assets used for the current activity. Tangible assets are initially recognized at acquisition cost.

The acquisition cost includes the directly attributable costs and the estimated present value of any unavoidable and future costs of dismantling and disposing those items. The corresponding obligation is recognized in the provisions.

The depreciation of other tangible assets shall be calculated on the basis of the linear method with a view to allocating their cost less the residual value, over their useful life, as follows: Premises - for the duration of the lease contract, Other fixed assets - 2-5 years.

o) Inventory

Inventories are recognized initially at cost and subsequently at the lowest cost and net realizable value. The cost comprises all acquisition costs, conversion costs and other costs incurred in bringing the inventories to their current location and condition. Specific identification is used to determine the cost of interchangeable items.

p) Provisions

Provisions are recognized when the Group has a legal or implicit obligation as a result of the previous events, when the settlement of the obligation requires a resource outflow incorporating economic benefits and for which a credible estimate of the value of the obligation can be made. Where there are a number of similar obligations, the likelihood that a resource outflow will be required for settlement is established following the assessment of the liability class as a whole. The provision is recognized even if the likelihood of a resource outflow related to any item included in any class of obligations is low. Where the Company expects repayment of a provision, for example through an insurance contract, repayment is recognized as a separate asset, but only when repayment is theoretically certain.

Provisions are valued at the present value of the expenses estimated to be necessary to settle the obligation, using a pre-tax rate reflecting current market assessments of the time value of the money and the risks specific to the obligation. The increase in the provision due to the time passing is recognized as interest expense.

q) Employee benefits

In the normal course of business, the Group makes payments to the Romanian State on behalf of its employees for health, pension and unemployment funds. All employees of the Company are members of the Romanian state pension plan, which is a fixed contribution plan. These costs are recognized in the profit and loss account with the recognition of salary expenses.

r) Current and deferred profit tax

Tax expense for the period includes current and deferred tax and is recognized in profit or loss, unless it is recognized in other comprehensive income or direct equity because it relates to transactions that are themselves recognized in the same period or in another period, in other comprehensive income or direct equity.

Current income tax expense is calculated based on the tax regulations in force at the end of the reporting period. The management periodically assesses the positions in the tax returns in relation to situations where the applicable tax regulations are interpretable and constitute provisions, where applicable, based on the amounts estimated to be due to the tax authorities.

Deferred income tax is recognized, based on the method of the balance sheet obligation, for temporary differences between the tax bases of assets and liabilities and their accounting values in the financial statements. However, deferred income tax resulting from the initial recognition of an asset or liability in a transaction, other than a business combination, which at the transaction date does not affect the accounting profit or the taxable profit, is not recognized. Deferred corporate tax is determined on the basis of the tax rates (and legal regulations) in force until the end of the reporting period and are to be applied during the period in which the deferred tax to be recovered will be capitalized or the deferred tax will be paid.

Deferred tax to be recovered is recognized only to the extent that a taxable profit is likely to be derived in the future from which temporary differences are deducted.

IFRIC 23 provides guidance on the accounting of current and deferred liabilities and taxes and assets under circumstances where there is uncertainty about corporate tax treatments. The interpretation provides as follows:

- It must be determined whether uncertain tax treatments should be considered separately, or together as a group, depending on the approach that provides better predictions about resolution;
- Determine whether tax authorities are likely to accept uncertain tax treatment; and
- If uncertain tax treatment is unlikely to be accepted, the tax uncertainty will be measured according to the most likely amount or expected value, depending on any method that better predicts the resolution of the uncertainty. The measurement should be based on the assumption that each of the tax authorities will examine the amounts they are entitled to examine and have full knowledge of all the information related to these examinations.

Following the application of the provisions of IFRIC 23, no impact on corporate tax liabilities was identified.

NOTE 30. RUSSIA - UKRAINE CONFLICT

I. Russia-Ukraine conflict

The invasion of Ukraine by the Russian Federation and the subsequent global response to these military actions could have a significant impact on some companies, especially companies with physical operations on the territory of Ukraine, Russia and Belarus, but also entities with indirect interests (e.g. those that they have suppliers and customers, investments and creditors, with operations on the territory of these countries). Also, the sanctions imposed on the Russian government, Russian entities and Russian persons in many jurisdictions could affect societies, such as through the loss of access to financial resources and trade, but also through the collateral effects of the sanctions on global prices (e.g. oil, natural gas and other products derived from oil). The effects of the conflict are large-scale and rapidly evolving. Companies that do not have operations in Russia and Ukraine could still be affected by the conflict, the effects including but not limited to:

- Destruction, confiscation or abandonment of tangible and intangible property;
- Sanctions imposed on a company that may impact its ability to operate (e.g. access to funds, banking systems, etc.);
- Sanctions imposed on a company's customers, which may impact its ability to sell goods and services and collect debts;
- Sanctions imposed on a company's suppliers, which may impact its ability to obtain raw materials, goods and services, or which may indirectly increase the costs of obtaining these elements from alternative sources;
- Sanctions imposed on creditors and/or banks of an entity, which may limit its ability to access funds and credits;
- Changes in the approach to clients and consumers regarding companies with ties to Russia, Belarus or other jurisdictions related to the Russian Federation, which could reduce demand for the products of those companies;
- Changes in risk appetite that can lead to the situation where creditors and investors withdraw their financial support for companies with ties to Russia, resulting in an increased liquidity risk and/or doubts regarding the continuity of the respective companies' activity;
- Volatility in the prices of financial instruments and goods, including oil, natural gas, other products derived from oil and minerals, but also volatility in exchange rates.

Based on the information available up to this moment, the Company's Management has not identified concrete potential risks related to the Russia-Ukraine conflict and thus, at this moment, it does not expect a significant impact in terms of the current operations. The direct exposure of the Company to third parties affected by the sanctions imposed since the initiation of the conflict (customers, suppliers, banking institutions with which the Company collaborates, which have been directly affected by the sanctions) does not exist. The indirect exposure (customers, suppliers with whom the Company collaborates, with links with third parties affected by sanctions, as well as risks related to the future volatility of commodity prices or currency exchange rates) is unquantifiable, the Company's Management not having received until this moment any sign of regarding any significant impact on the Company's activity.

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

NOTE 31. EVENTS AFTER THE BALANCE SHEET DATE

I. Change of the Board of Directors of Bittnet Systems S.A.

On January 25, 2024, Bittnet Systems SA shareholders voted for the composition of the new Board of Directors, considering the expiring mandates of the former members at the end of January. The new composition of the CA is:

- Ivylon Management S.R.L. through legal representative Logofătu Mihai Alexandru Constantin, executive administrator and President of the Board of Directors
- Anghel Lucian Claudiu, Vice President of the CA, non-executive member of the Board of Directors
- Constantinescu Gabriel-Claudiu, non-executive member of the Board of Directors
- Quercus Solutions S.R.L. through legal representative Micheș Paul, non-executive member of the Board of Directors
- Eccleston Square Capital Limited, through legal representative Ciucu Bogdan, non-executive member of the Board of Directors

The mandates of the current CA members are for a period of 4 years.

II. Signing of significant contracts by Dendrio Solutions

During Q1 2024, the Issuer informed the capital market on several occasions about the signing of significant contracts by an affiliated entity (Dendrio Solutions SRL) exceeding in value 10% of last year's individual turnover through current reports no. 08 dated 17.01.2024, no. 14 dated 01.02.2024 and no. 17 dated 20.02.2024.

III. BNET28 bond listing | February 2024

On 02.02.2024, the first trading session took place for the bonds issued on 15.12.2023 under the symbol BNET28. The BNET28 issue consists of 100,000 bonds with an individual value of RON 100 and a total value of RON 10,000,000. The bonds are listed on the main market of the Bucharest Stock Exchange, the segment dedicated to fixed income instruments.

IV. CA decision – primary offering of corporate bonds

On 28.02.2024, the issuer informed the capital market about its intention to launch a new primary offer for the sale of corporate bonds under conditions similar to the previous two offers: BNET27A and BNET28. In this regard, the Board of Directors decided the coordinates of the operation and of the future instrument. The underwriting period will start after receiving the approval from the ASF for the offer documentation.

The financial statements from page [3] to page [84] were approved and signed on 22 March 2024.

Mihai Logofatu	Adrian Stanescu
CEO	CFO

LionLink Audit S.R.L.
Pţa. Avram Iancu, Nr. 15
Cluj-Napoca, România
Tel: +40 374 032 033
www.lionlink.ro

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bittnet Systems SA

Report on the Audit of the Separate Financial Statements

Opinion

1. We have audited the separate financial statements of Bittnet Systems SA ("the Company") with official head office in Sergeant Ion Nutu, no. 44, One Cotroceni Park, Building A and Building B, 4th floor, sector 5, Bucharest, identified by sole fiscal registration number 21181848, which comprise the unconsolidated statement of financial position as at December 31, 2023, and the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of material accounting policy information.

   The separate financial statements as at and for the year ended December 31, 2023 are identified as follows:

   - Net assets / Total equity: RON 79,837,566
   - Net financial result for the year – Loss RON (8,841,330).

2. In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Company as at December 31, 2023, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications ("OMFP 2844/2016").

Basis for opinion

3. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

LionLink Audit S.R.L.
Pţa. Avram Iancu, Nr. 15
Cluj-Napoca, România
Tel: +40 374 032 033
www.lionlink.ro

Other matter

4. The individual financial statements of the Company for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on these statements on March 27, 2023.

Key audit matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

6. We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the separate financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate financial statements.

Key audit matter	How the matter was addressed during our audit
Revenue recognition Refer to Note 6 Revenues from contracts with customers and Note 28 Accounting policies point a). The Company's revenues mainly include revenues from the provision of training services and IT integration services. Applying the service revenue recognition principles in accordance with the relevant financial reporting framework can be complex. We have identified revenue recognition as a key audit matter because revenue is one of the Company's key performance indicators and therefore there is an inherent risk in relation to its recognition by management to meet specific objectives or expectations.	**Procedures performed** Understanding and evaluating the process and controls over the existence and accuracy of recorded revenue, including detecting fraud and errors in revenue recognition. Sampling of customer contracts to understand terms and conditions of delivery. Performing procedures to test that revenue is recorded in the correct period by testing a sample of transactions recorded near the end of the financial year. Testing a sample of trade receivables by sending confirmation letters.

Other information

7. The other information comprises the Annual Report, as well as the Remuneration Report, but does not include the separate financial statements and our auditors' report thereon. Management is responsible for the other information.

   Our audit opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

   In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

8. Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

10. Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

11. Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

12. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

13. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

14. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Reporting on Information Other than the Separate Financial Statements and Our Auditors' Report Thereon

16. In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Administrators' Report and Remuneration Report, we have read these reports and report that:

a) in the Administrators' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying separate financial statements as at December 31, 2023;

b) the Administrators' Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 articles 15 – 19;

c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the separate financial statements as at December 31, 2023, we have not identified information included in the Administrators' Report that contains a material misstatement of fact.

d) the Remuneration Report identified above includes, in all material respects, the required information according to the provisions of article 107 (1) and (2) from Law 24/2017 on issuers of financial instruments and market operations.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

17. We were appointed as auditors of the Company by the General Meeting of Shareholders on October 30, 2023, to audit the financial statements for the financial year ended December 31, 2023. The total duration of our mandate covers the financial year ended December 31, 2023.

Consistency with Additional Report to the Audit Committee

18. Our audit opinion on the separate financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on the same date as the issue date of this report.

Provision of Non-audit Services

19. No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.

20. In addition to statutory audit services and services disclosed in the annual report and in the financial statements, no other services which were provided by us to the Company, and its controlled undertakings.

LionLink Audit S.R.L.
Pţa. Avram Iancu, Nr. 15
Cluj-Napoca, România
Tel: +40 374 032 033
www.lionlink.ro

Report on the compliance of the electronic format of the separate financial statements, included in the annual separate report with the requirements of the ESEF Regulation

21. We have performed a reasonable assurance engagement on the compliance of the separate financial statements presented in XHTML format of Bittnet Systems SA ("the Company") for the year ended 31 December 2023, with the requirements of the Commission Delegated Regulation (EU) 2019 /815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation).
22. These procedures refer to testing the format and whether the electronic format of the separate financial statements (XHTML) corresponds to the audited separate financial statements and expressing an opinion on the compliance of the electronic format of the separate financial statements of the Company for the year ended 31 December 2023 with the requirements of the ESEF Regulation. In accordance with these requirements, the electronic format of the separate financial statements, included in the annual report should be presented in XHTML format.

Responsibilities of the Management and Those Charged with Governance

23. The Management of the Company is responsible for the compliance with the requirements of the ESEF Regulation in the preparation of the electronic format of the separate financial statements in XHTML format and for ensuring consistency between the electronic format of the separate financial statements (XHTML) and the audited separate financial statements.
24. The responsibility of the Management also includes the design, implementation, and maintenance of such internal control as determined is necessary to enable the preparation of the separate financial statements in ESEF format that are free from any material non-compliance with the ESEF Regulation.
25. Those charged with governance are responsible for overseeing the financial reporting process for the preparation of separate financial statements, including the application of the ESEF Regulation.

Auditor's Responsibility

26. Our responsibility is to express an opinion providing reasonable assurance on the compliance of the electronic format of the separate financial statements with the requirements of the ESEF Regulation.
27. We have performed a reasonable assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000 (revised)). This standard requires that we comply with ethical requirements, plan and perform our engagement to obtain reasonable assurance about whether the electronic format of the separate financial statements of the Company is prepared, in all material respects, in accordance ESEF regulation. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error.
28. Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with ISAE 3000 (revised) will always detect material non-compliance with the requirements when it exists.

Our Independence and Quality Management

29. We apply International Standard on Quality Management 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, which requires that we design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.
30. We have maintained our independence and confirm that we have met the ethical and independence requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code).

Summary of procedures performed

31. The objective of the procedures that we have planned and performed was to obtain reasonable assurance that the electronic format of separate the financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation. When conducting our assessment of the compliance with the requirements of the ESEF Regulation of the electronic reporting format (XHTML) of the separate financial statements of the Company, we have maintained professional skepticism and applied professional judgement. We have also:
    - obtained an understanding of the internal control and the processes related to the application of the ESEF Regulation in respect of the financial statements of the Company, including the preparation of the separate financial statements of the Company in XHTML format
    - tested the validity of the applied XHTML format
    - checked whether the electronic format of the separate financial statements (XHTML) corresponds to the audited separate financial statements
32. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

LionLink Audit S.R.L.
Pța. Avram Iancu, Nr. 15
Cluj-Napoca, România
Tel: +40 374 032 033
www.lionlink.ro

Opinion on the compliance of the electronic format of the separate financial statements with the requirements of the ESEF Regulation

33. Based on the procedures performed, our opinion is that the electronic format of the separate financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation.

Refer to the original signed Romanian version

On behalf of,

LionLink Audit SRL
Avram Iancu Square, No. 15, Cluj-Napoca, Cluj County

Registered in the electronic Public Register under No. FA944

Sebastian Andrei Bichescu
Registered in the electronic Public Register under No. AF3109

Cluj-Napoca, Romania
March 22, 2024

BITTNET SYSTEMS SA

UNCONSOLIDATED FINANCIAL STATEMENTS

in accordance with
Order of the Minister of Public Finance
no. 2844/2016, as further amended,
for the financial year ended on
31 December 2023

TABLE OF CONTENTS

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

STATEMENT OF COMPREHENSIVE INCOME

	Note	2023	2022
Revenues from contracts with customers	[6]	12,556,313	15,795,263
Sales Cost	[7]	(6,777,998)	(7,430,641)
Gross margin		**5,778,315**	**8,364,623**
Other revenues	[8]	230,502	786,869
Sales expenses	[9,11]	(4,703,296)	(4,338,330)
General and administrative expenses	[10,11]	(10,192,693)	(6,784,880)
Other expenses	[8]	-	(535,365)
Profit/(loss) – Equivalent securities		(121,055)	273,630
Financial income	[12]	2,593,502	6,403,955
Financial expenses	[12]	(3,608,757)	(3,989,287)
Gross profit		**(10,023,482)**	**181,214**
Tax Profit	[13]	1,182,152	437,677
Net profit:		**(8,841,330)**	**618,891**
Earnings per share	[5]		
basic		(0.0145)	0.0012
diluted		(0.0132)	0.0011

The financial statements on page [3] to page [76] were approved and signed on March 22, 2024.

Mihai Logofatu	Adrian Stanescu
CEO	CFO

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

STATEMENT OF FINANCIAL POSITION

	Notes	31 Dec 2023	31 Dec 2022
ASSETS			
Fixed assets			
Intangible fixed assets	[14]	6,704,201	7,070,347
Tangible fixed assets	[15]	6,992,808	10,462,845
Equity interests	[16]	52,356,500	38,813,490
Other financial assets	[17]	37,685,497	26,312,865
Deferred tax	[13]	1,619,829	437,677
Total fixed assets		105,358,835	83,097,224
Current assets			
Inventory	[18]	397	51,963
Trade receivables and other receivables	[17]	12,252,222	9,049,077
Financial assets at fair value	[16]	11,356,744	13,790,384
Cash and cash equivalents	[19]	3,535,970	13,470,129
Total current assets		27,145,333	36,361,552
TOTAL ASSETS		132,504,168	119,458,777
EQUITY AND DEBTS			
Share capital		63,417,671	52,848,060
Issue premiums		31,934,768	9,738,583
Other equity items		(15,291,490)	(20,851,261)
Reserves		956,462	956,462
Reported result		(1,179,845)	7,661,485
Total equity and reserves	[20]	79,837,566	50,353,329
Long-term debts			
Bonds	[21]	24,340,699	9,609,806
Bank loans	[22]	-	-
Leasing liabilities	[23]	15,118,732	14,923,783
Long-term debts		-	-
Deferred tax	[13]	-	-
Total long-term liabilities		39,459,431	24,533,590
Current debts			
Bonds	[21]	47,458	25,194,352
Bank loans	[22]	-	167,937
Leasing liabilities	[23]	3,472,827	2,646,803
Profit tax liabilities	[13]	-	-
Trade liabilities and other liabilities	[24]	9,686,886	16,562,786
Total current debts		13,207,171	44,571,858
Total liabilities		52,666,602	69,105,448
TOTAL EQUITY AND DEBTS		132,504,168	119,458,777

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

CONSOLIDATED SITUATION OF CASH FLOW

	2023	2022
Pre-tax profit	**(10,023,482)**	**181,214**
Adjustments for:		
Depreciation expenses	2,019,273	1,422,392
Expenses related to disposed assets	-	3,973
Benefits granted to SOP employees	1,073,576	890,381
Adjustments for the depreciation of receivables	(3,764)	(7,326)
Interest expenses and other financial costs	2,491,138	2,427,017
Interest income and other financial income	(1,526,389)	(1,296,222)
Earnings from securities placements	68,622	(3,601,659)
Equity securities gain	121,055	(273,630)
Operating profit before working capital change	**(5,779,971)**	**(253,860)**
Variation of receivables account balances	2,222,016	(1,344,031)
Variance of the inventory accounts balances	51,565	(33,467)
Variation of accounts payable balances	(2,088,998)	2,316,352
Cash generated from operation	**(5,595,388)**	**684,995**
Profit tax paid	-	(278,513)
Net cash from operating activities	**(5,595,388)**	**406,481**
Investment activities:		
Payments for the purchase of participation interests	(13,891,956)	(8,019,744)
Proceeds from the sale of participating interests	-	7,447,460
Loans granted to related entities	(10,143,083)	2,459,364
Acquisitions of tangible and intangible assets	1,034,362	(2,743,861)
Other investments in financial instruments	(119,072)	(4,179,499)
Proceeds from other financial assets	413,635	4,809,727
Collected dividends	89,949	1,904,546
Interest received	1,294,497	1,102,918
Net cash from investment activities	**(21,321,668)**	**2,780,910**
Financing activities:		
Proceeds from share issue	29,701,386	-
Purchases/sales of own shares	4,550,607	(2,603,739)
Drawings from bank loans	-	-
Repayments of bank loans	(167,937)	(962,791)
Proceeds from bond issue	14,636,689	9,609,806
Repayments of bond issues	(24,403,700)	-
Payments of leasing liabilities	(4,194,020)	(2,363,966)
Interest paid	(3,140,128)	(2,149,766)
Net cash from financing activities	**16,982,897**	**1,529,544**
Net increase in cash and cash equivalents	**(9,934,159)**	**4,716,936**
Cash and cash equivalents at the beginning of the financial year	13,470,129	8,753,193
Cash and cash equivalents at the end of the financial year	**3,535,970**	**13,470,129**

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

CONSOLIDATED SITUATION OF CHANGES IN EQUITY

	Share capital	Issue premiums	Other equity items	Legal reserves	Reported result	Total capital
1 Jan 2022	48,043,690	14,542,953	(19,082,504)	947,402	7,051,654	51,503,195
Net result	-	-	-	-	618,891	618,891
Other elements of the global result	-	-	-	-	-	-
Total Global result	-	-	-	-	618,891	618,891
Share capital increase	4,804,369	(4,804,369)	(9,895)	-	-	(9,895)
Purchases/sales of own shares	-	-	(2,649,244)	-	-	(2,649,244)
Benefits granted to SOP employees	-	-	890,381	-	-	890,381
Distribution of the legal reserve	-	-	-	9,061	(9,061)	-
31 Dec 2022	52,848,060	9,738,583	(20,851,261)	956,462	7,661,485	50,353,329
Net profit	-	-	-	-	(8,841,330)	(8,841,330)
Other elements of the global result	-	-	-	-	-	-
Total Global result	-	-	-	-	(8,841,330)	(8,841,330)
Share capital increase	10,569,611	22,196,185	(64,411)	-	-	32,701,385
Purchases/sales of own shares	-	-	4,550,607	-	-	4,550,607
Benefits granted to SOP employees	-	-	1,073,576	-	-	1,073,575
Distribution of the legal reserve	-	-	-	-	-	-
31 Dec 2023	63,417,671	31,934,768	(15,291,490)	956,462	(1,179,845)	79,837,566

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

NOTE 1. GENERAL INFORMATION

Operational activities

The financial statements include the unconsolidated financial information of the company Bittnet Systems (the "Company" or the "Issuer"), headquartered in Bucharest, 44 Sergent Nutu Ion street, building ONE Cotroceni Park, A&B wing, 4th floor, 5th District. The company has the following subsidiaries registered in Romania:

	31 Dec 2023	31 Dec 2022
SUBSIDIARIES - % ownership		
Dendrio Solutions	88.001%	88.001%
Dataware Consulting, 71,13% through Dendrio Solutions	100%	-
Top Tech, 46% through Dendrio Solutions	86%	86%
2Net Computer, through Dendrio Solutions	100%	100%
IT Prepared	50.2%	50.2%
Equatorial Gaming	98.99%	98.99%
Equatorial Training, by Equatorial Gaming	100%	100%
Computer Learning Center	100%	100%
Fort (formerly Global Resolution Experts)	58.87%	60%
GRX Advisory, through Fort	58.87%	60%
ISEC Associates, through Fort	58.87%	69.992%
Elian Solutions	51.02%	51.02%
Kepler Management Systems, 75,8% through Elian Solutions	100%	-
Nenos Software	60.97%	60.97%
Nonlinear	60%	60%
MINORITY INTERESTS		
E-Learning Company	23%	23%

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

In February 2009, the company changed its legal status in the 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 abroad" (equity investment) from the business angel Răzvan Căpăţînă, 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 be listed on BVB, after an infusion of EUR 150,000 in the company, received from the Polish fund Carpathia Capital SA in exchange for a 10% stake.

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

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

From April 2018, the new structure of the group was adopted and the business structure of Bittnet Group was reorganized into two key segments: Education and Technology. Starting in 2023, the group has organised the Technology segment into 3 divisions/business 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, has led to the current dimension where the activity is organised in more independent centres ("cells"), in areas of interest - "development pillars" or "business units", which represent sub-areas of activity in the IT&C Services area. Bittnet is today a conglomerate offering investors exposure to the entire IT&C industry in Romania.

Starting with June 2020, Bittnet shares (BNET symbol) are listed on the BVB Regulated Market and are part of the main BVB indices.

During the year 2023, the average number of employees of the Company was 25. The following table shows the division by functional departments at the end of the fiscal years 2022-2023:

Department	31.dec.2023	31.dec.2022
Technic	4	6
IT Delivery (technic)	7	2
Marketing	0	0
Delivery	13	15
Management	4	3
Total	**28**	**26**

The management of the company

On January 29, 2020, the General Shareholder Meeting approved the amendment of the articles of incorporation of the company in terms of its administration by a Board of Directors composed of 3 members.

Given the current size of the Group, the General Meeting of 20 April 2023 approved the extension of the Board of Directors to 5 members. The composition of the Board is according to the election results and it was completed by the two new members:

1) **Ivylon Management SRL** – Executive Director, by **Mihai Alexandru Constantin Logofătu**. On 31.12.2023, Mihai Logofătu held 55,651,882 shares, which represents 8.77% of the share capital. Mihai Logofătu is the co-founder of Bittnet Systems.
2) **Cristian Ion Logofătu** – non-executive administrator. On 31.12.2023, Cristian Logofătu held 53,592,812 shares, which represents 8.45% of the share capital. Cristian Logofătu is the co-founder of Bittnet Systems.

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

3) **Anghel Lucian Claudiu** – non-executive director, who holds 5,468,395 shares of the Issuer on 31.12.2023, i.e. 0.86% of the share capital.
4) **Rudolf Paul Vizental** – non-executive director, does not hold as at 31.12.2023 shares of the Issuer.

5) **Dynamic Data Drawings SRL** – non-executive director, through Anca Mănițiu. Anca Mănițiu holds on 31.12.2023 a number of 763,237 shares of the Issuer, representing 0.12% of the share capital.

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

NOTE 2. BASIS FOR DRAWING UP THE FINANCIAL STATEMENTS

a) Declaration of conformity

The Issuer's unconsolidated financial statements were prepared in accordance with International Financial Reporting Standards adopted by the European Union ("EU IFRS"), and in accordance with OMFP 2844/2016, as amended and supplemented, "for the approval of accounting regulations in accordance with International Financial Reporting Standards".

The Issuer has prepared and published on 22 March 2024 consolidated financial statements developed in compliance with EU IFRS and Order no. 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting.

The unconsolidated financial statements were prepared on the basis of the historical cost convention and on the basis of the business continuity principle. The financial statements are presented in RON, which is also the functional currency of the Issuer.

The financial statements were prepared in order to accept the issuer Bittnet Systems SA on the regulated market in 2020 and represent the statutory financial statements of the Issuer. The main accounting policies adopted in the preparation of the consolidated financial statements are set out at Note 27 "Significant accounting policies".

b) Business continuity

The event that marked the years 2020-2021 is the global pandemic of Covid-19, and the restrictions on movement and activity ("lockdowns") imposed by governments all over the world, affecting badly some industries. This situation could generate a liquidity crisis, as a result of the fears of consumers and companies related to the future recession or economic crisis. Nevertheless, it seems that the monetary measures taken by governments and central banks have given enough confidence to the business environment assuring it that a "credit crunch" is not likely to occur. The group closely monitors liquidity indicators – the conversion of receivables into cash, turnovers with customers and suppliers, etc.

The resulting effects of this general environment are:

- The deepening semiconductor crisis has significantly affected projects that include hardware components. Although in the first quarter and even the first 6 months of 2021 there were moments of rebound in component supply flows (processors/chips), since May 2021 this trend has entered a downward spiral (more info: https://www.bloomberg.com/news/articles/2021-05-18/wait-for-chip-deliveries-increased-in-sign-shortage-persists and here: https://www.bloomberg.com/news/articles/2021-08-23/chip-shortage-set-to-worsen-as-covid-rampages-through-malaysia). When can we consider this situation to be over? Certainly not in the near future: https://www.bloomberg.com/graphics/2021-chip-production-why-hard-to-make-semiconductors/
- Human factor pressure – the global pandemic has introduced flexibility into the way companies hire and interact with employees and collaborators. More and more global projects are being delivered with offshored resources, geographic location is now of purely fiscal significance. As a result, IT companies in Romania, including firms in the group's technology division, are facing

extremely aggressive global competition in a market where skilled labour is scarce and becoming increasingly mobile.

- The consistent digitization of work processes over the past two years is leading to a significant increase in demand for expertise in the Cybersecurity space. Given that Dendrio offers a broad array of solutions and services in the cybersecurity area but also due to the fact that as of August 2021 the technology division started to include other companies with exceptional cyber expertise such as: IT Prepared, Global Resolution Experts (GRX), or iSec Associates (iSec) - we can consider that at this moment the technology division and the Bittnet Group are in an tremendous favourable position for the coming period.

All considered scenarios imply that the Group will continue its operation, based on the business continuity principle.

c) New standards and interpretations, valid 31 December 2023

IFRS 17 "Insurance contracts", including amendments to IFRS 17 issued by the IASB on June 25, 2020 - adopted by the EU on November 19, 2021 (applicable for annual periods beginning on or after January 1, 2023).

Amendments to IFRS 17 "Insurance contracts" - Initial application of IFRS 17 and IFRS 9 - Comparative information adopted by the EU on September 9, 2022 (applicable for annual periods beginning on or after January 1, 2023).

Amendments to IAS 1 "Presentation of financial statements" - Presentation of accounting policies (applicable for annual periods starting on or after January 1, 2023);

Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors" - Definition of accounting estimates (applicable for annual periods starting on or after January 1, 2023);

Amendments to IAS 12 "Income taxes" - Deferred tax related to assets and liabilities arising from a single transaction (applicable for annual periods starting on or after January 1, 2023);

The adoption of the new amendments to the existing standards did not have any significant impact on the companies financial statements

d) New standards and interpretations, valid at 31 December 2022

The following amendments to existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- Amendments to IAS 16 'Leasing contracts' – Leasing debts in case of sale and leaseback (applicable for annual periods on or after January 1, 2024);
- Amendments to IAS 1 "Presentation of financial statements" - Classification of liabilities into short-term liabilities and long-term liabilities (applicable for annual periods starting on or after January 1, 2023);
- Amendments to IAS 1 "Presentation of financial statements" - Fixed liabilities with agreements (applicable for annual periods on or after January 1, 2024);

The company chose not to adopt these amendments to the existing standards before the effective dates of entry into force. The Group anticipates that the adoption of these standards and amendments to the existing standards will not have a significant impact on the financial statements during the initial application period.

e) New standards and amendments to existing standards issued by the IASB, but which have not yet been adopted by the EU

Currently, IFRS as adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following new standards and amendments to existing standards, which were not approved for use in the EU on the publication of the consolidated financial statements (the effective dates mentioned below are for the IFRS standards issued by the IASB):

- IFRS 14 "Deferral accounts related to regulated activities" (applicable for annual periods starting on or after January 1, 2016) - The European Commission decided not to issue the approval process of this interim standard and to wait for the final standard;
- Amendments to IAS 7 "Statements of cash flows" and IFRS 7 "Financial instruments: Disclosures" - Financing agreements in the relationship with suppliers (effective date set by the IASB: 1 January 2024);
- Amendments to IAS 21 "Effects of Foreign Exchange Rate Variation" - Lack of convertibility (effective date set by the IASB: January 1, 2025)
- Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associated entities and joint ventures" - Sale of or contribution of assets between an investor and its associated entities or joint ventures and subsequent amendments (date of entry into force of has been postponed indefinitely by the IASB, but early application is permitted

The Group anticipates that the adoption of these new standards and amendments to the existing standards will not have a significant impact on the consolidated financial statements of the Group during the initial application period.

NOTE 3. ESSENTIAL ESTIMATES AND ACCOUNTING REASONING

The Company makes certain estimates and assumptions about the future. Estimates and reasoning shall be assessed on an ongoing basis on the basis of the historical experience and other factors, including expectations of future events that are considered reasonable in those circumstances. In the future, the real experience may differ from these estimates and assumptions. Estimates and assumptions that present a significant risk of generating a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below.

Essential reasoning

- Income recognition (Note 6) – principal/agent relationship;
- Bittnet brand recognition (Note 14);
- Recognition of the employee/collaborator loyalty program by offering actions - "SOP" (Note 20)

Estimates and assumptions

- The assessment at fair value of the shares held for sale (Note 16)
- Assessment of the consideration related to the employee/collaborator loyalty program by offering actions – "SOP" (Note 20)
- Adjustments assessment of the receivables impairment (Note 17)

Except for the valuation of financial assets held for sale, the Company does not have any assets and liabilities included in the financial statements that require measurement and/or disclosure of fair value.

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

NOTE 4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Currency risk
- Other market price risks and
- Liquidity risk.

Along with all other businesses, the Company is exposed to risks arising from the use of its financial instruments. This note describes the risk management objectives, policies and processes and the methods used to assess risks. Additional quantitative information on these risks is presented below, in these financial statements.

There have been no material changes during the reported periods in the Company's exposure to the risks of financial instruments, its risk management objectives, policies and processes, or the methods used to assess them in prior periods, unless otherwise stated in this note.

(i) Main financial instruments

The main financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Receivables and loans;
- Cash and cash equivalents;
- Variable rate bank loans;
- Bank loans and fixed-rate bonds;
- Business debts and other liabilities.

(ii) Financial instruments by category

FINANCIAL LIABILITIES	31 Dec 2023	31 Dec 2022
Bond issue loans	24,388,157	34,804,159
Leasing liabilities	18,591,558	17,570,586
Bank loans	-	167,937
Trade liabilities and other liabilities	9,443,564	16,153,033
Total	52,423,279	68,695,715

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

FINANCIAL ASSETS	31 Dec 2023	31 Dec 2022
Receivables and loans	48,867,950	33,939,866
Cash and cash equivalents	3,535,970	13,470,129
Total	52,403,920	47,409,995

(iii) Financial instruments not measured at fair value

Financial instruments that are not measured at fair value include cash and cash equivalents, receivables and loans, trade and other liabilities, bank loans and bonds.

Due to the short-term nature, the net asset value of cash and cash equivalents, trade and other receivables as well as trade and other liabilities, including loans, is close to their fair value.

General objectives, policies and processes

The Board of Directors has overall responsibility for determining the Company's risk management objectives and policies and, while retaining accountability for them, has delegated authority for the design and operation of the processes that ensure effective implementation of the objectives and policies to the Company's finance function. The Board receives monthly reports from the Society's CFO reviewing the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to establish policies that seek to reduce risks as far as possible without unduly affecting the Company's competitiveness and flexibility. More details on these policies are given below:

Credit risk

Credit risk is the risk that the Company's debtors may not be able to meet their obligations as they fall due, because of a deterioration in their financial situation. The Company is less exposed to this risk due to the specific nature of the products and services sold, which are aimed at companies of a certain size with a particular financial situation.

The company analyses new customers using specialised tools (specific customer credit analysis websites) and has a strict procedure for documenting orders and the provision of services or delivery of goods. As evidence of its management of this risk, the Company has not been affected in any way by the insolvencies of 2K Telecom or Teamnet International (unlike some of its competitors).

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

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

Additional relevant information on trade and other receivables, which are neither due or impaired, is provided at Note 16.

Cash in bank deposits and short-term deposits

The Company regularly monitors bank credit ratings and at the reporting date no losses are expected from counterparty default. For all financial assets for which impairment requirements have not been applied, the net asset value represents the maximum exposure to the credit loss.

Market risk

Market risk arises from the Company's use of interest-bearing financial instruments that are also tradable in foreign currencies. There is a risk that the fair value or the future cash flows of a financial instrument may fluctuate due to changes in the interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk

The Company is exposed to the risk of rising interest rates, having contracted bank loans and from the issuance of bonds, all in RON. Any increase in the interest rate will be reflected by the increase in financial costs. The Company regularly monitors the market situation in order to foresee the interest rate risk.

Most of the amounts borrowed currently have FIXED annual interest. The weighted cost of borrowed capital is just under 9% per annum. We believe that the next financial period will be a period in which the fact that, for the most part, the price of the borrowed capital has been fixed will constitute a competitive advantage.

	31 Dec 2023	31 Dec 2022
Variable interest	-	167,937
Fixed interest	42,979,716	52,374,745
Total	42,979,716	52,542,682

On 31 December 2023, if interest rates on RON loans had been 1 percentage point higher/lower, with all other variables held constant, gross profit for the year would have been the same (31 December 2022: RON 1,679), mainly as a result of higher/lower interest expense on variable rate loans.

Currency risk

An important element of the market risk is the risk of exchange rate fluctuation. The Company aims to be neutral to the risk of exchange rate fluctuations. The activities carried out in this respect are:

- The company avoids as much as possible the submission of "cross currency" sales offers (offers with the sales price expressed in another currency than the purchase price);
- If such offers are requested, clauses such as "variation limit" are included;
- All sale prices from the contracts are expressed in a foreign currency and are invoiced in RON at the exchange rate on the delivery date;
- The company does not operate with stocks;

Starting with fiscal year 2018, there was a need to contract financial products to ensure a fixed price for purchasing foreign currency. Several requests for tenders received from customers require tendering in a different currency than the purchasing currency. Thus, the Company has analysed and tested various financial solutions in this respect.

With the intensification of the export activity, the Company keeps the invoices collected in the original currency, in order to be able to make payments directly in the currency of the external partner. This approach allows us to cancel the effect of the exchange rate fluctuation for the open invoices (because the losses recorded by increasing the value of the payment invoices are compensated by the gains produced by the increased value of the owned foreign currency). Especially with Dendrio's acquisition, the estimates collected from Bittnet's customers are more relevant for Dendrio's payments to external suppliers (Dendrio has significant purchases from external suppliers).

On 31 December, the Company's net exposure to currency risk was as follows (amounts in LEI equivalent):

Net financial assets/(liabilities) in foreign currency	31 Dec 2023	31 Dec 2022
RON	5,687,724	(15,011,827)
EUR	(6,332,628)	(6,924,040)
USD	625,547	650,148

On 31 December 2023, if the EUR/RON exchange rate had been 1 percentage point higher/lower, with all other variables held constant, gross profit for the year would have been 69,240 lower/higher (31 December 2022: 63,326), mainly due to the revaluation of net financial assets denominated in EUR.

Other market risk

The Company holds some strategic equity investments in other companies that complement the Company's operations. Management believes that the exposure to market risk from this activity is acceptable in the Company's circumstances, but is much higher than the risk associated with an investment in government securities or investment fund shares, mainly due to the volatility and unpredictable movement in share prices, both in the short and long term.

Liquidity risk

Liquidity risk arises from the Company's management of working capital and financial expenses and principal repayments of its debt instruments. There is a risk that the Company may encounter difficulties in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to enable it to meet its liabilities as they fall due. To achieve this objective, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days. The Company also seeks to reduce liquidity risk by fixing interest rates (and therefore cash flows) on a portion of its long-term borrowings, and this is noted in the "interest rate risk" section above.

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

The following table shows contractual maturities (representing contractual cash flows of financial liabilities):

31 December 2023	Up to 3 months	3 to 12 months	1 to 2 years	Over 2 years
Bond issue loans	47,458	-	-	24,340,699
Leasing liabilities	655,622	2,817,205	3,500,246	11,618,486
Bank loans	-	-	-	-
Trade liabilities and other liabilities	3,069,575	6,373,988	-	-
Total	3,772,655	9,191,194	3,500,246	35,959,185

31 December 2022	Up to 3 months	3 to 12 months	1 to 2 years	2 to 5 years
Bond issue loans	10,864,435	14,329,918	-	9,609,806
Leasing liabilities	475,446	2,171,358	2,722,875	12,200,908
Bank loans	167,937	-	-	-
Trade liabilities and other liabilities	4,992,162	11,160,871	-	-
Total	16,499,979	27,662,147	2,722,875	21,810,715

Relevant information on capital

The Company monitors capital comprising all components of equity.

The Company's objectives when maintaining capital are:

- protect the entity's ability to continue as a continuing concern so that it can continue to generate profits for shareholders and benefits for other stakeholders; and
- provide an adequate return to shareholders by establishing the prices of the products and services in line with the risk level.

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

NOTE 5. RESULT PER SHARE

The Company reports both basic and diluted earnings per share:

- Basic earnings per share shall be calculated by dividing the net profit for the current year attributable to equity holders of the Company by the weighted average number of shares during the period;
- the diluted earnings per share shall be calculated on the basis of the net profit, adjusted by the dilutive effect of the employee's share options.

The earnings per share are adjusted retroactively at the beginning of the first period reported for the increase in the number of shares resulting from capitalization.

The calculation of the result per share for the financial years 2022-2023 is presented in the following table:

	2023	2022
Net profit attributable to parent company (A)	(8,841,330)	618,891
Number of shares - beginning of period	528,480,595	480,436,904
Capitalization ofpremiums/retained earnings	-	-
Shares issued during the period against cash	105,696,120	48,043,691
Number of shares - end of period	634,176,715	528,480,595
	-	
Average ordinary shares in the period (B)	607,752,685	512,466,031
Dilutive Effect Shares (SOP)	79,272,089	70,895,672
Total average (C)	671,170,356	544,905,932
Earnings per share		
basic (A/B)	(0.0145)	0.0012
diluted (A/C)	(0.0132)	0.0011

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

NOTE 6. REVENUES FROM CONTRACTS WITH CLIENTS

Revenues from contracts with customers for the financial years 2022-2023 are detailed in the following table:

	2023	2022
Training services	11,575,310	15,359,729
IT solutions integration services	309,514	270,992
Revenues from the provision of services	**11,884,824**	**15,630,721**
Merchandise sales IT solutions integration	442,375	64,601
Resold licenses	229,114	99,941
Sale of goods	**671,489**	**164,542**
Total	**12,556,313**	**15,795,263**

Training services

Revenues from training services include experts' access to technology through the teaching of IT skills, from basic ones (e.g.: Microsoft Office Suite) to the most advanced ones (Cloud, DevOps, Cybersecurity). The business training portfolio includes 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, as well as online and offline exams.

Income is recognised at a specific point in time, on completion of the training following fulfilment of the performance obligation.

IT solutions integration services

The IT solutions provided by the Company 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 from the initial analysis, design, implementation and testing phase resulting in turnkey projects for companies with different IT needs.

Revenue from services rendered is recognised in the period in which they are rendered and in line with the stage of completion. The provision of services includes the execution of works and any other operations that cannot be considered as the delivery of goods.

The stage of completion of the work is determined on the basis of the statement of work accompanying the invoices, acceptance reports or other documents proving the stage of completion and acceptance of the services rendered.

If the selling price includes a separate, contractually specified amount for the subsequent provision of services (as in the case of revenue from the sale of producer guarantee services), that amount is deferred (account 472 “Deferred income”) and recognised as revenue during the period in which the services are rendered, but no later than the end of the period for which the subsequent provision of services was contracted. Conversely, the related expenses are deferred (account 471, "Prepaid expenses") and recognised in the same period in which the services are rendered.

Income from the sale of goods and licences

Revenue from the sale of goods and licences is recognised when the customer obtains control of the assets transferred.

Revenue from geographical perspective

Revenues are semi-professionally rendered and goods delivered to entities in Romania.

Essential reasoning

The Company has analysed through the provisions of IFRS 15 whether it acts in its own name ("Principal") in relation to customers, i.e. whether it controls the promised goods and services before transferring the good or service to a customer.

Analysing the contracts for the sale of goods (hardware equipment and software licenses), Bittnet considers that it has obligations in its own name, and therefore acts as "Principal" and not as an intermediary ("Agent"). To reach this conclusion, the Company has analysed the processes of ordering and delivery of equipment and licences, the timing of the transfer of rights from the supplier to the Group and from the Group to the customer, and the occurrence of risks associated with control.

The company sells the rights to goods produced by manufacturers in combination with its own value-added services. These services are advisory and know-how services (often governed and certified by our partnership status with manufacturers), ensuring that the solutions sold to customers meet their specific requirements and needs. These services are an integral and essential part of our obligations to our clients, because these services do not provide separate value to clients, and are not billed separately. The combination of qualified consulting services (pre-sales and post-sales) and the goods produced by the manufacturers is, in fact, what ensures the benefit to the customers, as a solution tailored to their specific needs (e.g. providing various upgrade options and maximum flexibility) and law compliant. Also, even after the conclusion of the contract, during the whole duration of the contract, the Company is the sole point of contact and the sole responsible to the customer for any problems (in which case the Company's team solves the deficiencies and/or liaises with the manufacturer to rectify the problems) or additional requirements (e.g. software upgrade).

Even if the IT equipment or software licenses sold by the Company are produced by other entities, the Company's promise to its customers is not to produce those goods, but to deliver them, and often also to perform additional activities such as installation, customization, combination, activation, configuration, optimization and maintenance during operation – these being key elements of the performance obligations undertook towards customers. From the customer's perspective, the Company's promise represents a single performance obligation (i.e. the delivery of a customised and law compliant solution) and the Company undertook the performance risk for the entire solution, which attests to the Company's control over the products in the delivery flow. Regarding the delivery to the client, it is carried out by the Company - which takes actual possession of the goods (including the software activation keys) and transmits them to the end client, together with specific internal activation processes in dedicated portals (processes carried out by the Company's team). Also, by means of the contracts concluded with manufacturers, the Company receives, according to its status as an authorized partner, the right to use the manufacturer's intellectual property, which is separate from the actual licenses sold to customers; as such, the Company controls the entire promise to the customer prior to delivery.

Although the Company does not normally incur inventory risk prior to receiving the order from the customer, from that moment on the Company takes over the inventory risk until the final transfer of control of the goods to the final customer. Even if by definition there is only one manufacturer for each type of equipment or software license sold to customers, the Company may decide to buy directly from the manufacturer, or from any other authorized supplier (distributor, importer, European, global wholesaler etc.). If, for any reason, the delivery to the customer is not completed, or is not successful (according to the obligations undertaken towards the customer), the Company will remain in possession of the goods without being able to return them to the supplier or sell them to another customer. Also, in certain situations the Company places advance orders with suppliers (i.e. before receiving the order from the customer) to secure volume discounts or to take advantage of favourable prices (thus voluntarily assuming the inventory risk), and subsequently transfers goods to customers as they confirm their purchase intentions.

In summary, the Company makes a promise to customers to deliver the goods, takes possession and control of the goods, and sets the selling prices through negotiation processes. The Company is free to set prices with customers; thus, the Company may grant additional discounts, or may request price increases to reflect currency risks, speed of delivery, risk of non-receipt from the customer, etc. In other words, to customers, the Company is the supplier of the goods, even if they are produced by manufacturers and/or delivered by distributors, and the Company is fully responsible for the proper delivery of agreed projects.

In addition, the Company bears the full credit risk for the entire value of the goods (hardware and software) – orders once placed with suppliers (either directly with the manufacturer or with authorised intermediaries) are non-refundable. In assessing the decision to initiate and/or continue business relations with customers, the Company only analyses the ability and the intention/goodwill of customers to pay invoices in due time. The Company has full control over the sales strategy, decides what goods and services to provide, deliver and ultimately implement/configure.

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

NOTE 7. SALES COST

The sales costs for the financial years 2022-2023 are presented in the following table:

	2023	2022
Selling cost of the goods IT solutions integration	396,684	55,885
Resold licenses	189,974	91,454
Other direct materials	259,032	434,090
Cloud services	128,492	102,881
Staff expenditure	280,667	253,561
Expenses with collaborators	955,304	1,056,098
Services provided by third parties	4,567,845	5,436,671
Total	6,777,998	7,430,641

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

NOTE 8. OTHER INCOME and OTHER EXPENDITURE

a) Other revenues

	2023	2022
Sale & lease-back IT equipment	230,502	757,184
Other	-	29,685
Total	230,502	786,869

b) Other expenses

	2023	2022
Pre-acquisition costs of participating interests	-	535,365
Impairment GW	-	885,000
Total	-	1,420,365

During 2022, pre-acquisition costs of participating interests (specialized M&A consulting, financial and legal due-diligence services, legal services, etc.) related to M&A transactions for which the Company's Management considered that there was no longer a chance of materialization were recognized.

NOTE 9. SALES EXPENSES

The sales expenses for the financial years 2022-2023 are presented in the following table:

	2023	2022
Staff expenditure	1,222,986	715.495
Expenses with collaborators	2,242,226	2,491,640
Commissions and fees	266,156	227,947
Advertisement	971,927	903,248
Total	4,703,295	4,338,330

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

NOTE 10. GENERAL AND ADMINISTRATIVE EXPENSES

The administrative expenses for the financial years 2022-2023 are detailed in the following table:

	2023	2022
Materials	133,157	111,573
Staff expenditure	3,370,095	1,922,874
Provisions for unused leave	41,518	43,737
Expenses with collaborators	1,454,955	632,494
Amortization	2,019,273	1,422,392
Rentals	5,740	19,486
Travel and transportation	8,172	15,389
Insurance	63,014	38,304
Post and telecommunications	36,744	37,127
Donations	341,719	218,617
Receivables adjustments	(3,764)	(7,326)
Bank fees	40,344	41,010
Other third party services	2,299,063	1,458,038
Other expenditures	382,663	831,163
Total	10,192,693	6,784,880

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

NOTE 11. CLASSIFICATION OF EXPENDITURE BY TYPE

The classification of total operational expenses, by nature, for the financial years 2022-2023 is detailed in the following table:

	2023	2022
Materials and goods	788,872	601,549
Resold licenses	189,975	91,454
Staff expenditure	4,873,748	2,891,930
Provisions for unused leave	41,518	43,737
Expenses with collaborators	4,652,485	4,180,231
Amortization	2,019,273	1,422,392
Cloud services	128,492	102,881
Rentals	5,740	19,486
Commissions and fees	266,156	227,947
Advertisement	971,927	903,248
Travel and transportation	8,172	15,389
Insurance	63,014	38,304
Post and telecommunications	36,744	37,127
Donations	341,719	218,617
Receivables adjustments	(3,764)	(7,326)
Bank fees	40,344	41,010
Services provided by third parties	6,866,909	6,894,709
Other expenditures	382,663	831,163
Total operating expenses	21,673,987	18,553,850

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

NOTE 12. INCOME AND FINANCIAL EXPENSES

Details of revenues and expenses for the financial years 2022-2023 are presented in the following table:

INCOME/FINANCIAL EXPENSES	2023	2022
Interest income	2,662,125	1,917,295
Income/expenses from investments,	2,099,075	7,375,645
Income/expenses from securities valuation	(2,167,698)	(2,888,985)
Bank interest	(53,574)	(125,074)
Factoring costs	(10,892)	(1,344)
Interest on issued bonds	(2,426,672)	(2,300,600)
Leasing interest	(1,023,279)	(621,241)
Net income/expenses exchange rate differences	(94,340)	(56,029)
Participation impairment	-	(885,000)
Total	(1,015,255)	2,414,668

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

NOTE 13. TAX PROFIT

Details regarding the current and deferred profit tax for the financial years 2022-2023 are presented in the following table:

	2023	2022
Current profit tax	-	-
Deferred tax	(1,182,152)	(437,677)
Total income tax	**(1,182,152)**	**(437,677)**

Income tax reconciliation

	2023	2022
GROSS INCOME	**(10,023,482)**	**181,214**
Legal reserve	-	(9,061)
Non-taxable income	(3,704,173)	(12,285,622)
Non-deductible expenses	6,339,204	9,377,989
TAXABLE INCOME	**(7,388,451)**	**(2,735,479)**
Income tax (16%)	(1,182,152)	(437,677)
Sponsorship discount	-	-
Total income tax	**(1,182,152)**	**437,677**

Deferred tax

Payable and recoverable deferred taxes are valued at the effective 16% tax rate. Deferred tax to be paid and recovered, as well as expenses with/(income from) deferred tax recognized in the statement of comprehensive income are fully attributable to the fiscal loss.

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

NOTE 14. INTANGIBLE FIXED ASSETS

Intangible fixed assets mainly include the Bittnet Brand and software licenses.

	Bittnet brand	Licenses and other intangible assets	Total other intangible assets
Net value			
On 31 December 2021	**5,800,518**	**1,449,782**	**7,250,299**
Inputs	(10,162)	684,937	674,775
Assignments/Transfer	-	(459,686)	(459,686)
Amortization	-	(395,041)	(395,041)
On 31 December 2022	**5,790,355**	**1,279,992**	**7,070,347**
Inputs	-	63,289	63,289
Assignments/Transfer	-	-	-
Amortization	-	(429,435)	(429,435)
On 31 December 2023	**5,790,355**	**913,846**	**6,704,201**

Essential Reasons - Bittnet Brand (Recognition, Evaluation, Registration)

Bittnet brand

The Bittnet brand was purchased at the end of 2018 from the former owner, at a price equivalent to the value evaluated by an independent evaluator. The assessment was carried out by the cash flow method (DCF), having as reference a royalty of 5% of the turnover from the training activity, according to the previous licensing contract, the rate that is comparable to the market conditions.

Management has taken into account that the Bittnet Brand is separable, i.e. it can be separated or divided from the entity and sold, transferred, licensed, leased or exchanged, either individually or together with a corresponding contract, asset or liability, and that it has become part of the Company's assets from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Company controls the Bittnet Brand with the ability to obtain future economic benefits from the underlying resource and to restrict others' access to those benefits. The ability to control future economic benefits derives from legal rights the enforcement of which can be upheld in court - pursuant to the 8th Copyright Act.

Debt remission transaction registration

The debt from the acquisition of the brand was remitted to the founders of the company, Mihai and Cristian Logofatu, subsequently paid by transferring some assets from the personal assets of the founders to the seller of the Brand.

The management analysed the debt remittance transaction and concluded that it represents an income and not a capital operation. The transaction was made with the founders of Bittnet Systems as managers, considering the founders' commitment to minority shareholders to bear in their own name the cost for acquiring the brand, thus correcting the error in the past of not being diligent enough to register the brand at State Office for Inventions and Trademarks. The income resulted from debt remittance amounting to 5,786,000 was recognized in the financial year 2018 in the Statement of comprehensive result on the line "Other income".

Key reasons – indefinite lifetime

The Brand was acquired in a business combination and is the only one allocated to the business. It has been established that it has an indefinite useful life as there is no intention to abandon the brand name. The company has the ability to maintain brand value for an indefinite period of time. Thus, the brand is not amortised but it is tested annually for impairment. As brands do not generate largely independent cash inflows, they are allocated to the Company's CGUs for goodwill impairment testing as part of the assets of the business.

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

NOTE 15. TANGIBLE ASSETS

Tangible assets mainly include office space layouts and equipment necessary for operational activities. Movements in property, plant and equipment are shown in the table below.

No mortgages or guarantees were established regarding the tangible assets held.

	Leased spaces and fittings	Technical installations and machinery	Other equipment and furniture	Total fixed assets
Cost				
On 31 December 2021	157,437	1,055,237	22,446	1,235,119
Leasing inputs	8,150,668	729,408	-	8,880,076
Inputs	2,528,341	30,654	40,130	2,599,126
Assignment/Transfer	(537,362)	(390,732)	-	(928,094)
On 31 December 2023	10,299,083	1,424,568	62,576	11,786,227
Leasing inputs	1,196,390	894,608	-	2,090,998
Inputs	309,357	-	32,696	342,053
Assignment/Transfer	(4,313,250)	(24,262)	-	(4,337,512)
On 31 December 2023	7,491,580	2,294,915	95,272	9,881,766
Amortization				
On 31 December 2021	-	663,770	19,020	682,790
Cost of the period	763,262	252,509	11,580	1,027,351
Assignment/Transfer	-	(386,759)	-	(386,759)
On 31 December 2022	763,262	529,519	30,600	1,323,381
Cost of the period	1,165,537	393,705	30,596	1,589,838
Assignment/Transfer	-	(24,261)	-	(24,261)
On 31 December 2023	1,928,799	898,963	61,196	2,888,958
Net value				
On 31 December 2023	5,562,781	1,395,951	34,076	6,992,808
On 31 December 2022	9,535,821	895,049	31,976	10,462,845
On 31 December 2021	157,437	376,408	18,484	552,329

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

NOTE 16. EQUITY INTERESTS

a) Branches

	31 Dec 2023	31 Dec 2022
Dendrio Solutions	6,394,376	6,394,376
Elian Solutions	510,000	510,000
Equatorial Gaming	3,761,000	3,761,000
Computer Learning Center	866,001	866,001
ISEC Associates	-	436,001
IT Prepared	3,833,272	3,833,272
Nenos Software & Nonlinear	4,985,939	4,985,939
Fort	11,701,284	9,706,286
Top Tech	5,401,675	5,401,675
Dataware Consulting	10,679,558	-
Kepler Management	1,425,510	-
Total	**49,558,615**	**35,894,550**

As of April 2018, the new structure of the group was adopted and the business structure of Bittnet Group was reorganized into two key segments: Education and Technology. Starting in 2023, the group has organised the Technology segment into 3 divisions/business 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, has led to the current dimension where the activity is organised in more independent centres (“cells”), in areas of interest - “development pillars” or “business units”, which represent sub-areas of activity in the IT&C Services area. Bittnet is today a conglomerate offering investors exposure to the entire IT&C industry in Romania.

a) The Education Division

This division contains 4 companies (Bittnet Systems, Computer Learning Center, Equatorial Gaming and Equatorial Training, which are equal to the minority shareholding in The E-Learning Company), offering training to adults in two areas: Technical Skills and Human Skills in both traditional, face-to-face, Virtual Remote and instructor-led or eLearning formats. The trainings provided allow experts access to technology by teaching IT skills, starting from basic skills (e.g: Microsoft Office Suite) to the most advanced ones (Cloud, DevOps, Cybersecurity). The business training portfolio includes project management, IT services management, business intelligence, CRM, ERP, Agile, etc.

Equatorial Gaming

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

In August 2020, Bittnet activated the conversion option on the loan of RON 1,050,000 granted in 2018 to 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. As a result of these transactions, Bittnet Systems reached a 98.99% ownership of the share capital of Equatorial Gaming SA.

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

Computer Learning Center

In August 2021, the Group informed investors about the signing of the share sale and purchase agreement for the acquisition of the IT training company - Computer Learning Center.

The purchase price for 100% of the Computer Learning Center (CLC) was RON 725,000, which was settled in 2 instalments: the first instalment, amounting to RON 225,000, was paid by payment order in August 2021, and the second instalment – amounting to RON 500,000, conditional on the removal of assets from CLC's patrimony that are not relevant to the company's current activity – was paid in January 2022.

Bittnet Group has thus strengthened its Education division and expanded its certification portfolio, particularly in the cyber security sector. CLC works with over 30 certified trainers and has delivered over 2,500 trainings to 15,000 participants in recent years.

Following the entry of Bittnet Systems into the shareholding, a loan agreement was also signed by the parties in September 2021 whereby Bittnet provided Computer Learning Center the amount of RON 560,000 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 RON 2,405,000 from October 2021 to June 2022, and then partially repaid from August to September 2022 and then increased again throughout 2023, the remaining balance as of 31.12.2023 amounted to RON 1,445,000.

b) Cloud & Infrastructure Division

This division contains 5 companies Dendrio Solutions, Dataware Consulting, Top Tech, 2Net Computer and IT Prepared) offering complex IT solutions to customers in the corporate, large corporate, enterprise and public sector segments throughout the country but also abroad (mainly CEE and USA).

The solutions offered start from physical communications infrastructure, 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 centre/hybrid or cloud, enterprise networking, cyber security platforms and the implementation of related software platforms, including collaboration platforms (modern workplace).

The services provided are both project-based and managed services, with managed services being delivered mainly to clients in mature markets, Europe and the United States.

Dendrio Solutions

During 2017, Bittnet Group acquired GECAD NET from Romanian entrepreneur Radu Georgescu. In the first half of 2018, GECAD Net was renamed Dendrio Solutions. Dendrio is the only "multi-cloud" hybrid solutions integrator in Romania, with a consolidated position as a certified company by the world's leading IT vendors, focusing on cloud and cybersecurity.

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

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

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

With Agista joining the shareholding, Dendrio is on its way to listing on the capital market either through a private placement or an initial public bid on the BVB, or through a merger procedure with a company listed on a regulated market or on a multilateral trading facility in a member country of the European Union.

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 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, while Bittnet Systems SA owns 40%. The total value of the transaction price is RON 12,874,306, of which RON 5,000,000 (2nd instalment) would be settled in BNET shares in a future capital increase; the cash component, worth RON 7,874,306 (1st instalment), was paid in full in September 2022. In March 2023, the parties signed an additional document to the share sale and purchase agreement, by which they agreed that the amount of RON 2,000,000.11, related to 2nd instalment, should be paid in cash by payment order, and the amount of RON 2,999,999.89 to be converted into BNET shares in the capital increase carried out in 1st quarter of 2023. The bank transfer was made 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 the joining of Agista Investments investment fund into the Top Tech shareholding. The transaction was carried out 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, in exchange of the amount of RON 3,000,000. Following the joining 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.

2Net Computer

2NET Computer SRL is a Romanian company with over 20 years of experience in providing IT&C products and services, mainly in the Brasov area and the centre of the country for local and international clients present in Brasov, Harghita and Covasna counties. 2Net Computer provides products and technology solutions from the main international vendors, proving expertise in the following fields: design and implementation of technical security systems; technology solutions & services for setting up 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 RON 5,241,931, the amount paid in full in September 2022.

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 as of June 2023 through the acquisition by the Group of a 70% stake of the shares (following the M&A transaction, Bittnet Systems owned 18.87% and Dendrio Solutions owned 51.13%). The total price of the transaction amounted to RON 19,861,795, of which the equivalent of RON 5,000,000 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 sale and purchase agreement, the cash payment of this instalment was agreed in 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 EUR 3,000,000, to be paid as follows:

- partly in cash by Bittnet Systems, the equivalent in RON of EUR 1,000,000, instalment paid 2 days after signing the completion certificate in January 2024.
- partially in equivalent: respectively shares (stock) of Dendrio Solutions that will be allocated to the two founders of Dataware. They will also occupy 2 seats in the future Board of Directors constituted at the level of Dendrio Solutions and consisting of 5 members. 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. For the allocation of Dendrio shares in the account of the transaction price, Dendrio Solutions will increase its share capital and the conversion of receivables into Dendrio shares will also be done within this operation. The convertible value of the debt of the two Dataware co-founders will amount to EUR 1,000,000.
- partly in cash: EUR 1,000,000, 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 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.

IT Prepared (rebranded: Optimizor)

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 instalments:

- The first instalment, in the amount of USD 265,200, was paid in cash, in RON equivalent, immediately after the signing of the share slae and purchase agreement, by payment order to the two founding shareholders of IT Prepared;
- According to the share purchase agreement, 2nd instalment, 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 sale and purchase agreement, whereby they established that the payment of the 2nd instalment should be made in cash, by bank transfer in national currency. Following the bank transfers in March 2023, 2nd instalment is considered fully paid.
- The 3rd instalment, worth RON 1,078,768 (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 IT Prepared SRL was approved by the shareholders in the EGM of November 26, 2020. Taking into account that the financial and operational situation of IT Prepared SRL changed between the moment of approval granted by EGM and the moment of signing the investment agreement, the parameters of the transaction were renegotiated in favour of Bittnet, the final valuation being reduced by half (thus Bittnet took over the majority stake), and the payment was dependent on the confirmation of positive operational results in 2021 and 2022.

c) Cybersecurity Division

Currently, this division contains 3 companies (Fort S.A. - formerly Global Resolutin Experts, GRX-Advisory and ISEC Associates) that provide 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 sale and 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 RON 295,000, the amount which was paid in a single instalment, by bank transfer, to the funding shareholder, Alexandru Andriescu.

ISEC Associates is a company founded in 2003 specializing in comprehensive security audit, consultancy and testing services. 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 joining of Bittnet Systems into the shareholding, a loan agreement was signed by the parties through which the Issuer made available to ISEC Associates the amount of RON 370,000 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 RON 650,000 in February-June 2022 and respectively in 2023.

ISEC capital increase – September 2023

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

Acquisition of ISEC by Fort – October 2023

Considering the new operational organization of the group in the 4 business pillars (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, namely 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 respect, the assignment contract of 26.10.2023 was signed between the former associates of ISEC Associates (Bittnet Systems, Mr. Andriescu Alexandru and Provision Software) – transferor partners and Fort – transferee partner. The agreement provides for the full sale of ISEC Associates to FORT for the amount of RON 2,850,000 (the price of the transaction was established by the Decision of the Fort GMS 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 shareholder 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 by converting the resulting receivables. Consequently, the transaction price did not involve the payment of any amount of money by Fort for the full purchase of ISEC.

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

Fort, formerly Global Resolution Experts S.A., (tax registration number 34836770), 60% owned by Bittnet Systems, is a professional services company in the cybersecurity area, providing penetration testing, but also design, implementation and maintenance of solutions of cybersecurity. Fort fully owns GRX Advisory SRL (CUI 43813325), with similar services.

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

The services provided by Fort are similar to those provided 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 RON 8,550 from the amount of RON 90,000 to the amount of RON 98,550 by allocating a number of 85,499 shares to the transferor partners 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 assignment of the ISEC shares to FORT and which were certified by the accounting expertise report dated 02.11.2023. This capital increase resulted from FORT's acquisition of 100% of ISEC Associates, whereby FORT acquired full control of ISEC. In addition to the subscribed and paid social capital, this operation also generated an increase in Fort's own capital, by recording the amount of RON 2,841,414 as share premiums.

Fort SA 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 analysing the subscription orders received during the placement period, the Board of Directors of FORT decided to successfully close the placement at the price of RON 50 per share. Thus, the subscriptions of 34 investors were accepted, and it was decided to increase the company's capital by the amount of RON 1,676,350, divided into RON 3,352.70 share capital and RON 1,672,997.30 share premium. Following the placement, Bittnet Systems' ownership in Fort is 58.87%.

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 in the company that provides ERP solutions, Elian Solutions. Elian completed the offer of IT integration services by adding ERP solutions in the group's portfolio.

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

Kepler Management Systems

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

- RON 3,132,175, 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;
- RON 1,000,000 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 instalment, the payment of which was made during January 2024;
- additionally, the transfer price also includes a variable component determined by Kepler's individual EBITDA value, related to 2023, an instalment that will be paid at the end of the 1st quarter, 2024, after the closing of Kepler's individual annual financial statements.

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 RON 4,850,000, price settled in two instalments, as follows:

- 50% of the transaction price (i.e. the amount of RON 2,425,000) 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 by allocating BNET shares in a capital increase operation. In March 2023, the parties agreed to sign an addendum to the sale-purchase contract of social shares, by which they determined that the payment of this instalment 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 the company Nonlinear SRL, the transaction price was RON 120 and it is equal to the nominal value of the transferred shares. Nonlinear had in 2020 a turnover of Ron 392,442 and a net profit of Ron 115,018, with 4 programmers employed.

Nenos Software is a custom software development company with a focus on Artificial Intelligence and Machine Learning (AI/ML). Nonlinear SRL is an SPV established to access European financing; the activity is one of product-based software development, focused on the development of a platform for digitalization and automation of processes 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.

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

b) Minority-owned securities

	31 Dec 2023	31 Dec 2022
E-Learning Company		
Initial	2,918,939	1,996,839
Contingent consideration	-	782,690
Dividend distribution	-	(134,220)
Profit/loss investmens accounted equity method	(121,055)	273,630
Total	**2,797,884**	**2,918,939**

The E-Learning Company S.A.

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

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

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

- the first instalment amounting to Ron 850,000 was fully paid in cash, the amount of 450,000 during Q1 2021, and the rest in April 2021. Brittnet's management has decided to pay in full the 1st instalment in cash considering the long period of time for processing the operation of clearing with shares to the founders of the previous M&A transactions – the acquisition of 25% of Softbinator and 99% of Equatorial Gaming.
- the second instalment iamounting to RON 1,682,690 (calculated following the closing of the financial statements as at 31.12.2021) was paid 50% in cash in April 2022, and the remaining 50% (which would have been paid to the founders of E-Learning Company through settlement in BNET shares in a share capital increase operation) was also paid in cash, in March 2023, following the signing of an addendum to the sale-purchase agreement.

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

Following Bittnet Systems' entry into the shareholding, the parties also signed a loan agreement by which the Issuer made available to The E-Learning Company the amount of RON 240,000 for financing the working capital for a maximum period of 3 years and an interest of 10 % per year. The loan was repaid in full during May 2022. During 2023 a new loan agreement was signed between Bittnet Systems and ELC, the balance of which as at 31.12.2023 amounted to RON 600,000.

The investment was accounted for using the equity method from the date it became associated party, i.e. January 2021. In applying the equity method, financial information as at 31 January 2021 was used.

In 2023, the Group recorded through equity accounted securities the share of ownership (23%) of the net loss realized by E-Learning Company. Summary of profit and loss account for 2023 at E-Learning Company is presented in the table below:

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

c) Other financial assets (securities) at fair value

	31 Dec 2023	31 Dec 2022
Softbinator Technologies	9,600,543	12,308,834
Arctic Stream	1,756,201	1,481,550
Total	**11,356,744**	**13,790,384**

	2023	2022
Revenues from contracts with customers	1,926,294	3,756,969
Sales Cost	(1,083,861)	(1,461,205)
Gross margin	**842,433**	**2,334,066**
Other revenues	13,353	12,388
Sales expenses	(108,778)	(63,914)
General and administrative expenses	(1,210,579)	(970,453)
Other expenses	(38,718)	(19,855)
Financial income/expenditure	(10,621)	(36,103)
Gross profit	**(512,728)**	**1,217,827**
Tax Profit	(13,599)	(28,135)
Net profit	**(526,327)**	**1,189,692**

Details of the evolution of securities at fair value in 2023 are shown in the table below:

	Arctic Stream	Softbinator Technologies
Value 31.12.2022	1,481,550	12,308,834
Inputs	-	119,071
Output	(385,013)	-
Re-valuation	659,664	(2,827,362)
Value 31.12.2023	**1,756,201**	**9,600,543**

Softbinator Technologies

Softbinator is a product development company, specialized in the design, development and launch of software products mainly in the fields of Fintech, MedTech/HealthTech and EdTech for customers in Europe, North America and Asia.

Softbinator is involved in the development of software products, web and mobile solutions for digitizing the education process, lifestyle/medical and health, e-payments, e-commerce, online gaming and has ticked in 2020 areas unexplored in previous years through digital banking (including crypto), the Internet of Things (IoT), Automotive and it explored a new vertical in e-commerce expertise: marketplaces.

In December 2020, Bittnet Group acquired a 25% stake in Softbinator Technologies for the amount of RON 8,127,500, the first investment of the group in a software development company. In December 2020, Bittnet held 22,500 shares, with a nominal value of RON 1 per share, out of a total subscribed and paid-up capital of RON 90,000, 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. Prior to the listing, Softbinator Technologies also announced its intention to conduct a private placement to raise capital to expand the company internationally.

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

- reduction of the nominal value of a Softbinator Technologies share from RON 1 per instrument to RON 0.1 per instrument / Following this operation, Bittnet Systems held 225,000 shares, representing 25% of the 900,000 shares issued by Softbinator Technologies.
- increase of the share capital by RON 10,000, which was allocated from the undistributed profit, by issuing 100,000 shares with a nominal value of RON 0.1.
- The transfer of 10% of the total number of shares held, shares made available to Softbinator Technologies as treasury shares for the purpose of trading in the private placement / Following this operation, Bittnet Systems held a number of 225,000 shares, representing 22.5% of the total number of Softbinator Technologies shares.
- the sale by Bittnet Systems of a total of 36,020 shares (representing 3.602% of the share capital and shares of Softbinator Technologies) to various individuals and legal entities for the amount of RON 2.16 million / Following these transactions Bittnet held a total of 188,980 shares, representing 18.898% of the total shares of Softbinator Technologies.

Following the operations described above, Bittnet Group has reviewed the reclassification of the investment in Softbinator Technologies as of 30.09.2021 and it decidedits reclassification from equity securities to securities at fair value through the profit and loss account.

On 31.12.2023, the investment in Softbinator Technologies shares was revalued using the average trading price on the AeRO market on 31.12.2023.

Arctic Stream

Valuation at fair value

Arctic Stream is an IT integrator focused on the technologies of the American manufacturer Cisco Systems, competitor of Dendrio Solutions in this market segment.

In June 2021, the Group's management invested in the private placement organised prior to the listing of Arctic Stream (AST) shares on the AeRO-SMT market. In the private placement, Bittnet subscribed the amount of Ron 10 million, the intention being to make a significant investment by entering the Arctic Stream shareholding in a relevant percentage. Following the early closing from the first day of the placement and the massive over-subscription, the tender intermediary informed Bittnet that it had been allocated 74,632 shares of AST, which represents 1.78% of the share capital and 1.78% of the voting rights. The value of the investment in Arctic Stream shares amounted to RON 1,865,800.

On July 29, 2021, the AST shares entered into trading on the AeRO market at a price approximately 40% higher than the one from the private placement.

As at 31.12.2022 and 31.12.2023 respectively, the investment in Arctic Stream shares was revalued using the average trading price on the AeRO market as at 31.12.2022 and 31.12.2023 respectively.

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

NOTE 17. TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables and other receivables are presented in the following table:

	31 Dec 2023	31 Dec 2022
Customer receivables	5,723,459	4,235,324
Adjustments for customer receivables	(10,715)	(14,479)
Contractual assets	27,191	63,068
Related party loans (Note 24)	29,069,006	18,060,181
Assets related to subletting	11,966,243	9,655,045
Subsidies	135,917	154,820
Warranties	931	1,831
Other receivables	1,955,920	1,784,077
Total	**48,867,951**	**33,939,866**
Advances to suppliers	5,733	7,726
Prepaid expenses	967,190	903,629
Receivables from the state budget	96,844	510,720
Total, of which:	**49,937,719**	**35,361,942**
Fixed assets	37,685,497	26,312,865
Current assets	12,252,222	9,049,077

The item "Other receivables" as at 31.12.2023, amounting to RON 1,784,077, is mainly composed of: dividends receivable Fort RON 923,400; dividends receivable Elian Solutions RON 577,291; dividends receivable Equatorial Gaming RON 448,695 (2022: RON 1,784,077, is mainly composed of: fixed assets in progress related to M&A transactions not completed RON 714,556; dividend receivables Elian Solutions RON 577,291; dividend receivables Equatorial Gaming RON 448,695).

Statement of customers' net receivables per seniority:

	31 Dec 2023	31 Dec 2022
Inadequate	2,136,311	3,147,783
0-30	994,957	286,492
31-90	478,119	773,703
91-360	2,103,045	12,866
over 360	312	-
Total	**5,712,744**	**4,220,844**

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

Reconciliation of customer receivables adjustments:

	2022	2021
1 January	14,479	21,806
Adjustments during the period	-	-
Receivables cancellation	-	-
Resume adjustments	(3,764)	(7,327)
31 December	**10,715**	**14,479**

Significant estimates

Impairment adjustments for trade and other receivables are recognized on the basis of the simplified approach in IFRS 9. In this process, the probability of non-payment of trade receivables is assessed, based on historical experience regarding the non-payment risk. The experience of the previous years has shown that the risk of non-collection is low, with no significant losses in recent years. However, management has estimated and recorded adjustments to the outstanding receivables balance at the end of 2023 as follows: Bittnet receivables – 0.5%%. At the end of 2022, management has estimated and recorded adjustments to the balance of uncollected receivables as follows: Bittnet receivables – 0.5%.

NOTE 18. INVENTORY

Details of stocks are presented in the following table:

	31 Dec 2023	31 Dec 2022
Materials	-	-
Goods	397	51,963
Total	397	51,963

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

NOTE 19. CASH SI CASH EQUIVALENTS

Details on cash and cash equivalents are presented in the following table:

	31 Dec 2023	31 Dec 2022
Bank in RON	1,541,808	1,224,472
Bank in RON - collateral cash	186,519	933,968
Bank in foreign currency	832,944	10,342,313
Bank in foreign currency - collateral cash	973,658	968,334
Cash in Cash Register	1,041	1,041
Total	3,535,970	13,470,129

Collateral cash deposits represent restricted cash – guarantee in connection with loans contracted with Procredit Bank.

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

NOTE 20. CAPITAL AND RESERVES

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

	31 Dec 2023	31 Dec 2022
Share capital	63,417,671	52,848,060
Issue premiums	31,934,768	9,738,583
Other equity items	(15,291,490)	(20,851,261)
Legal reserves	956,462	956,462
Reported result	7,661,485	7,042,593
Current global result	(8,841,330)	618,891
Total	**79,837,566**	**50,353,329**

a) Share capital

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

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

Shareholders and % shareholding	31 Dec 2023	31 Dec 2022
IMPETUM INVESTMENTS S.A.	13.33%	6.86%
AGISTA INVESTMENTS S.R.L.	13.75%	7.98%
Mihai Logofătu	8.77%	10.85%
Cristian Logofătu	8.47%	10.14%
Others	55.68%	64.17%
Total	**100%**	**100%**

Share capital increase through new contributions and debt conversion - March 2023

In the first 3 months of the year, a new capital increase operation was successfully carried out, as a result of which Bittnet's capital increased by the amount of RON 32,765,796.89, related to 105,696,119 new shares. Within this financing operation, 96,018,700 new shares worth RON 29,765,797 (90.84% of the entire volume of the bid) were subscribed, the difference representing the conversion of receivables resulting from the M&A activity carried out in the last years. As part of this operation, the Company's management decided to pay the consideration for the receivables resulting from the M&A activity partly in cash and partly by conversion into BNET shares. Thus, following the signing of the additional deeds with the Sellers from the M&A transactions, the value of the receivables converted into shares at the price of RON 0.31 was RON 2,999,999.89 and represented the non-cash part of the purchase price of Top Tech SRL.

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

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

Increase in share capital by incorporating reserves - July 2022

The share capital was increased by the amount of RON 4,804,369.10 by incorporating the share premium and issuing a number of bonus shares to the benefit of the shareholders as of the record date (1 bonus share for every 10 shares held), according to the EGMS Decision no. 2 of April 2022 and the additional opt-in procedure. Shareholders on the record date - 21 July 2022 - could opt online, between 29 July and 4 August, to leave these new shares at the Company's disposal for use in the key person incentive programmes approved in previous years by the AGM, in which case they would receive a cash distribution of 0.15 lei per 10 shares held on the record date.

During the option period, the Issuer received a total of 234 options from 234 shareholders representing a total of 205,693,904 voting rights, i.e. 43.34% of the Issuer's total voting rights. From the expressed options, 105 shareholders representing 175,297,189 voting rights, i.e. 36.93% of the total voting rights opted for OPTION 1 – ie for cash distribution and leaving the newly issued shares at the disposal of the company. The Company will distribute to these shareholders the amount of RON 2,629,453.80 starting from September 12, 2022, through the Central Depository system, with Banca Transilvania as paying agent.

On 12.08.2022, the Central Depository allocated, on the record date, shares in Section 1 to shareholders who opted out of the cash distribution or did not take any action during the option period. At the same time, the Central Depository charged to the Issuer's account a total of 17,529,692 treasury shares.

Following this operation, the subscribed and paid-up share capital of Bittnet, registered in the records of the Trade Register, ASF and Central Depository, amounts to RON 52,848,059.5 lei, divided into 528,480,595 BNET shares, each with a nominal value of RON 0.1.

b) Issue premiums

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

c) Legal reserve

According to Law 31/1990, each year at least 5% of the profit is taken to form the reserve fund, until it reaches at least one fifth of the share capital. Reserves representing tax facilities may not be distributed with implications on the recalculation of corporate income tax.

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

d) Other equity items

The Group recognises through other equity items mainly:

- acquisition/sale of treasury shares held
- loss resulting from the recognition and measurement of SOPs
- the impact of operations related to the implementation of the SOP

Treasury shares held

TREASURY SHARES	
Balance on 01.01.2023	23,970,745
Sales 2023	14,723,545
Balance on 31.12.2023	**9,247,200**

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

During January 2024, the Group sold all treasury shares held as at 31.12.2023.

SOP Recognition and Measurement

The Company has assessed from an IFRS 2 perspective whether share-based payment transactions with employees (SOPs) are settled in cash or by issuing shares.

The company settles transactions by issuing to option holders a number of shares equivalent (at market price) to the financial value of the option. The capital increase is made by lifting the pre-emptive right and on the basis of the Director's Decision.

As a result, although at an intermediate stage the "debt" is valued with respect to the settlement of the SOP, the economic substance of the transaction is that they are settled in shares. As a result, the Company has recognised the SOP transactions as being settled in shares, and has recognised and measured the services received in the Statement of Comprehensive Income and the corresponding increase directly in equity.

Transactions with employees and other collaborators providing similar services have been measured at the fair value of the equity instruments granted, as it has not usually been possible to reliably estimate the fair value of the services received.

Significant estimates - SOP assessment

Fair value measurement at grant date (as per IFRS 2) - the date of approval by the EGMS of each plan - is performed using the Black-Scholes model, using as values for the model:

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

The full value of each plan is recognised in costs over the life of each plan.

SOP2020A & SOP2020B – "SOP2020"

By resolution no. 3 of the OGMS of 29 January 2020 the following were voted:

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

Additionally, by Resolution No. 5 of the AGM of 29 April 2020, the Company's shareholders voted an incentive plan with options for key persons with a duration of 2 years, worth a maximum of 5% of the Company's total shares.

Under this incentive plan, 24 key persons notified the company of the purchase of a total of 40,428,754 BNET shares under the option contracts entered into under the incentive plans "SOP2020A" and "SOP2020B" approved by the above-mentioned EGMS resolutions, hereinafter cumulatively referred to as "SOP2020".

The exercise price of the options under SOP2020 was calculated, according to the approved incentive plans, taking as reference the market capitalization as of 31.12.2019 for SOP2020A, i.e. the value of RON 113.000.000, respectively the market capitalization as of 21.04.2020, for SOP2020B, i.e. the value of RON 101.445.399. Thus, the resulting strike price is RON 0.235203/share for SOP2020A and RON 0.211152/share for SOP2020B.

Considering that the amounts of money that should have been paid by the key persons to the company on account of the shares acquired in SOP2020 through the exercise of the options could have been paid by various methods, one of them being the sale on the market of a part representing the equivalent of approximately 65% of the shares that are the object of SOP2020, and this additional volume could have unbalanced the balance between supply and demand, the Group's management took the decision that the 24 key persons would be settled in shares for the economic value of the options under the incentive programme, i.e. a total of 26,020,845 shares. The economic value of the option is the difference between the market price and the purchase price in the SOP (option strike price), multiplied by the number of options. The total number of shares was calculated by dividing the option's economic value by the price of RON 0.34 per share (the price approved by the GMS for the implementation of a buyback programme).

The allocation of shares representing the economic value of the option was made without the need for a cash consideration from the key persons. Thus, a total of 26,020,845 BNET shares, transferred by the Central Depository from the Issuer's treasury shares, were settled to the 24 key persons.

SOP 2021

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

SOP 2022

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

SOP 2023-2026 (Long Term Incentive Plan through Equity Participation in the Company)

By Decision No. 11 of the EGMS of 27 April 2023, the shareholders approved an incentive plan for key persons based on options for participation in the Company's capital. Compared to previous incentive plans, it has a duration of 3 years and a value of 7.5% of the Company's total shares.

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

NOTE 21. BONDS

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

	31 Dec 2023	31 Dec 2022
BNET23	-	4,690,017
BNET23A	-	9,639,901
BNET23C	-	9,991,667
BNET26E	9,689,652	9,609,806
BNET27A	4,899,486	-
BNET28	9,751,561	-
Accrued interest	47,458	872,768
Total, of which:	**24,388,157**	**34,804,159**
Long-term fraction	24,340,699	9,609,806
Short-term part (interest)	47,458	25,194,352

In 2016, 2017, 2018, 2022 and 2023, the company carried out bond offerings maturing in 2019, 2022, 2023, 2026, 2027 and 2028, through which it raised "committed" financing of over RON 50 million from the capital market (all issues are listed on the BVB).

BNET23

On July 4, 2018, Bittnet successfully completed the third private placement of corporate bonds in the history of the Company. In the private offering, carried out from 26 June to 4 July 2018, Bittnet attracted an investment of RON 4.7 million.

NBET23 bonds have a nominal value of RON 100, a maturity of 5 years and an annual interest rate of 9%, payable quarterly. In accordance with the decision of the Extraordinary General Meeting of Shareholders of 25 April 2018, BNET23 bonds entered into trading in November 2018 on the AeRO ATS-Bonds market operated by the Bucharest Stock Exchange, under the BNET23 symbol.

The BNET23 bond issue was redeemed by the Issuer at maturity. Thus, on July 05, 2023, the nominal value was reimbursed to the holders, and at the same time the last coupon related to this issue was paid.

BNET23A

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

BNET23A bonds had maturity at 5 years, a fixed interest rate of 9% per year, payable on a semester basis and the allocation date was 28.12.2018. The NBET23A bond issue entered into trading on the ATS-Bond market of the Bucharest Stock Exchange on February 18, 2019.

The BNET23A bond issue was redeemed by the Issuer at maturity. Thus, on 28.12.2023 the nominal value was refunded to the holders and then the last coupon related to this issue was paid.

BNET23C

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

BNET26E

From 21 to 27 December 2022, the issuer conducted a private placement offering of a corporate bond issue, denominated in euro, in which 20,596 bonds were subscribed by 53 individual, legal and professional investors. The amount raised in this bond financing round is EUR 1,961,144. The nominal value of the instrument is EUR 100/bond and the total amount of the issue is EUR 2,059,600. The annual coupon is 9% and will be paid quarterly via the T2S mechanism and the Central Depository. Redemption of the nominal amount is at 3.5 years and will take place on 30.06.2026. BNET26E bonds are traded on the BVB Reregulated Market, category dedicated to corporate bonds, as at 07.03.2023.

BNET27A

During the period 30 May - 21 June 2023, Bittnet Systems carried out the first public offering of corporate bonds on 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 interested investor having the possibility to subscribe in the price range RON 96 – 104 per bond, i.e. between 96% and 104% of the nominal value of the instrument. During the offering period, a total of 803 buy orders were placed and the closing price of the offer was RON 100, with a total of 71,814 bonds subscribed. According to the Offering Circular, the allocation of shares to the accepted subscriptions (placed at the offer price and above) was done pro-rata. Purchase orders at prices below the issue price will not be executed. The execution date of the transaction was 22 June 2023 and the settlement date of the transaction was 26 June. On 19 July 2023, BNET27A bonds started trading on the Regulated Market administered by the BVB.

BNET28

From 27 November to 12 December 2023, a maximum number of 100,000 corporate bonds, unsecured, with an individual nominal value of RON 100 and a total nominal value of RON 10,000,000 were put up for sale, with each interested investor having the possibility to subscribe in the price range of RON 94-106 per bond, i.e. between 94% and 106% of the nominal value. A total of 530 subscription orders were placed during the offering period across all price levels of the range, totalling an aggregate volume of 185,602 bonds. Given the Issuer's setting of the issue price at the nominal value of the bond (RON 100) and in accordance with the Offering Circular, the volumes subscribed at prices above the issue price were fully settled at the issue price (RON 100). Thus the volume of 87,446 bonds represents the guaranteed allocation in the offering according to the Offering Circular. For the volume of bonds subscribed at the price of RON 100/bond (i.e. for 71,050 bonds) the allocation was made pro-rata, the allocation index being 0.1766924701, resulting in a volume of 12,554 bonds. Purchase orders priced below the issue price were not executed. On 02.02.2024, BNET28 bonds were admitted to trading on the Regulated Market administered by the BVB.

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

NOTE 22. BANK LOANS

Details of the bank loans are shown in the following table:

	31 Dec 2023	31 Dec 2022
ProCredit long-term loans	-	167,937
Total, of which:	-	**167,937**
Long-term fraction	-	-
Short-term fraction	-	167,937

ProCredit Bank

In February 2020, Bittnet Systems converted the loan product amounting to RON 2,790,000 also contracted with ProCredit Bank from a revolving overdraft into a loan with monthly repayments of principal and interest. The new maturity of the loan was set for a period of 36 months and the interest rate remained unchanged, ROBOR 3M + 2.5%. The last instalment of this loan was paid in February 2023.

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

NOTE 23. LEASING LIABILITIES

The company has concluded long-term operational leasing contracts for technical equipment with final terms in 2023-2026.

	31 Dec 2023	31 Dec 2022
Short-term fraction	3,472,827	2,646,803
Long-term fraction	15,118,732	14,923,783
Total	**18,591,559**	**17,570,586**

The reconciliation of lease liabilities and rights of use recognised as a result of the application of IFRS 16 is presented in the following tables:

Leasing liabilities	Spaces	Equipment	Cars	Total
On 1 January 2022	-	**610,814**	**201,589**	**812,403**
Inputs	17,871,576	629,501	-	**18,501,077**
Output	-	-	-	-
Interest and exchange rate differences	572,481	43,137	5,454	**621,073**
Leasing payments	(1,941,519)	(327,295)	(95,151)	**(2,363,966)**
On 31 December 2022	**16,502,538**	**956,156**	**111,892**	**17,570,586**
Inputs	4,346,216	1,307,532	397,111	**6,050,859**
Output	(1,971,602)	-	-	**(1,971,602)**
Interest and exchange rate differences	1,011,971	110,678	13,087	**1,135,736**
Leasing payments	(3,435,172)	(600,089)	(158,759)	**(4,194,020)**
On 31 December 2023	**16,453,951**	**1,774,277**	**363,331**	**18,591,559**

Rights of use	Spaces	Equipment	Cars	Total
On 1 January 2022	-	**193,923**	**182,484**	**376,408**
Inputs	8,150,668	729,408	-	**8,880,076**
Output	(506,708)	-	(3,973)	**(510,680)**
Amortization	(763,262)	(172,161)	(73,161)	**(1,008,583)**
On 31 December 2022	**6,880,699**	**751,172**	**105,352**	**7,737,222**
Inputs	1,196,390	497,497	397,111	**2,090,998**
Output	(2,027,522)	-	-	**(2,027,522)**
Amortization	(1,087,535)	(312,275)	(70,751)	**(1,470,561)**
On 31 December 2023	**4,962,032**	**936,394**	**431,712**	**6,330,138**

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

NOTE 24. TRADE LIABILITIES AND OTHER LIABILITIES

Trade and other liabilities are detailed in the following table:

	31 Dec 2023	31 Dec 2022
Suppliers	2,639,778	4,793,681
Employed debts	274,979	149,494
Debts for the purchase of shares	6,373,988	11,160,871
Other liabilities	48,987	48,987
Provisions	105,831	
Total financial liabilities	**9,443,564**	**16,153,033**
Advances to customers	1,312	11,297
VAT	-	-
Other budget liabilities	193,018	104,629
Income in advance	48,992	293,807
Total, of which:	**9,686,886**	**16,562,766**
Long-term debts	0	0
Current debts	9,686,886	16,562,766

The item "Provisions" as at 31.12.2023, amounting to RON 105,831, is mainly composed of: provision for litigation Bucharest Mall & Development RON 105,831.

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

NOTE 25. INFORMATION ON RELATIONS WITH RELATED PARTIES

Details of balances and transactions with related parties are provided below.

Remuneration paid to Key Management (identified in Note 1) is as follows:

	2023	2022
Management contracts	2,836,799	917,395
SOP expenditure	733,463	275,967
Total	3,570,262	1,193,362

As at 31 December 2023 the liabilities related to management contracts are in the amount of 210,844 LEI (31 December 2022: RON 87,093).

Details of balances and transactions with related parties from trading activities:

Transactions / Balances - 2023/31 Dec	Sales	Receivables	Purchases	Payables
	2023	31 Dec 2023	2023	31 Dec 2023
Dendrio Solutions	201,636	2,396,888	209,755	36,936
Computer Learning Center	-	181,812	-	-
Elian Solutions	-	428,818	105,658	-
Equatorial Gaming	-	187,243	98,461	-
Equatorial Training	-	23,401	-	-
Fort	-	49,615	-	-
GRX Advisory	-	38,847	-	-
ISEC Associates	-	73,348	-	-
IT Prepared	-	93,784	120,976	14,802
TopTech	25,109	84,823	42,998	-
2NET Computer	7,838	4,016	-	-
Dataware Consulting	20,947	17,090	-	-
Total	255,530	3,579,685	577,848	51,738

Transactions / Balances - 2022/31 Dec	Sales	Receivables	Purchases	Payables
	2022	31 Dec 2022	2022	31 Dec 2022
Dendrio Solutions	249,526	960,084	-	95,032
Computer Learning Center	5,047	8,122	78,721	31,129
Elian Solutions	-	6,004	311,800	211,435
Equatorial Gaming	-	75,394	140,542	71,036
IT Prepared	1,261	7,086	18,492	8,788
Nenos Software	-	12,088	11,569	
Top Tech	7,108		698	830
Total	262,942	1,068,778	587,434	418,260

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

Other financial assets	31 Dec 2023	31 Dec 2022
Assets related to subletting	11,966,243	9,655,045
Dendrio Solutions - loan	22,552,596	16,225,734
Elian Solutions - loan	3,140,767	-
Equatorial Gaming - loan	100,247	-
Equatorial Training - loan	175,570	-
ISEC Associates - loan	248,688	655,455
Computer Learning Center - loan	1,604,577	1,178,992
Fort - loan	307,068	-
Top Tech - loan	302,055	-
E-Learning Company - loan	637,438	-
Total	41,035,249	27,715,227

The loans to Dendrio Solutions were provided to finance working capital and to finance the acquisition of the IT&C business of Crescendo, as well as to finance Dendrio Solutions' own contribution to the acquisition of a majority stake in Dataware. The interest rate of the loan is aligned to the cost of financing through bond issues (9% p.a.). In December 2020, the amount of RON 5,000,000 was converted into share capital.

The loan granted to Elian Solutions in the amount of RON 3.1 million was intended to finance the purchase of the majority stake in the company Kepler Management Systems. The loan was granted in November 2023 and the interest rate was aligned with the interest rate of the most recent bond issue carried out by Bittnet at that time, BNET27A, i.e. 10% per year.

The loans granted to Equatorial Gaming and Equatorial Training were to secure general financing needs for the 2 companies. Interest rates are 9% per year in the case of Equatorial Training and 10% per year in the case of the loan to Equatorial Gaming – in line with the interest rates prevailing on the bond market at the time the loans were granted to the affiliated companies. The loan granted to Equatorial Training in the amount of RON 170,000 was repaid in full in March 2024, together with the interest due.

The loans to Computer Learning Center and ISEC Associates were granted to finance working capital. The interest on the loans is aligned with the cost of funding through bond issues at the time of issuance (9% p.a.).

The loan granted to Fort SA was made in May 2023 to secure financing needs for certain projects in the ongoing business. The interest is aligned with the interest rate at which Bittnet borrowed through bond issues in H1 2023, i.e. 10% p.a.

The loan granted to TopTech in December 2023 was intended to be used temporarily as collateral deposit for a bank product and was repaid in full in January 2024.

The loan to The E-Learning Company was provided to secure working capital financing needs. The loan bears interest at 10% p.a. and was granted in March 2023 for a period of 12 months. In February 2024 a first repayment of RON 100,000 was made and in March 2024 the loan was extended for another 12 months.

Interest income amounted to RON 1,866,857 in the financial year 2023 (2022: RON 1,583,171).

NOTE 26. CONTINGENT LIABILITIES

a) Protection of personal data

In the course of its business, the Company collects, stores and uses data that is protected by personal data protection laws. Although the Company takes precautions to protect customer data in accordance with the legal requirements for the protection of privacy, data leaks may occur in the future. In addition, the Company works with suppliers or third parties who are business partners who may not fully comply with the relevant contractual terms and any data protection obligations imposed on them.

Unanticipated computer problems, system failures, unauthorized access to the Company's computer networks or other deficiencies may result in the inability to maintain and protect customer data in compliance with applicable regulations and requirements and may affect the quality of the Company's services, as well as compromise the confidentiality of its customers' data or cause service disruptions, which may result in the imposition of fines and other penalties.

Also, with the entry into force of the General Data Protection Regulation (EU) 2016/679 (GDPR) on 25 May 2018, the Company is subject to its requirements regarding the processing of personal data, non-compliance with which may attract several types of sanctions, including fines of up to 4% of global turnover or up to EUR 20 million (whichever is higher); in addition, if they have suffered damage, data subjects may obtain compensation covering the amount of such damage, and their rights may also be represented by collective bodies.

b) Risk associated with changing legislation and taxation in Romania

Changes in the legal and fiscal regime in Romania may affect the economic activity of the Company. Changes related to the adjustment of the Romanian legislation with the European Union regulations may affect the legal environment of the Company's business activity and its financial results. The lack of stable rules, legislation and cumbersome procedures for obtaining administrative decisions may also restrict the future development of the Company. In order to minimise this risk, the Company regularly reviews changes in these regulations and their interpretations.

Considering that the legislation increasingly leaves to the discretion of the fiscal body the interpretation of the application of the tax rules, in conjunction with the lack of funds to the state budget and the attempt by any means to bring these funds, we consider this risk a major one for the company, because it cannot be addressed in any way in a real and constructive preventive manner. The Company considers that it has paid all its taxes, duties, penalties and penalty interest, to the extent applicable, on time and in full. In Romania, the fiscal year remains open for verification for 5 years.

c) Transfer price

In accordance with the relevant tax legislation, the tax assessment of a transaction with affiliated parties is based on the market price concept related to that transaction and the arm's length principle. Based on this concept, transfer prices must be adjusted to reflect market prices that would have been established between entities between which there is no affiliation relationship and which act independently, based on „normal market conditions”.

The taxpayers conducting related party transactions are responsible to prepare transfer pricing documentation, which must be submitted at the request of the tax authorities during the tax inspection. Thus, it is likely that the transfer pricing checks will be carried out in the future by the tax authorities, in order to determine whether the respective prices comply with the "normal market conditions" principle and that the Romanian taxpayer's taxable base is not distorted.

d) Disputes

In the context of daily operations, the Company is subject to a risk of litigation, among other things, as a result of changes and developments in legislation. In addition, the Company may be affected by other contractual claims, complaints and litigation, including from counterparties with whom it has contractual relationships, customers, competitors or regulators, as well as any negative publicity it attracts. The Company's management believes that such litigation will not have a material impact on the Company's operations and financial position.

File 30598/3/2021 – litigation București Mall Development and Management S.R.L.

During 2021, the Group became aware of the existence of case 30598/3/2021 on the Bucharest Court's docket, in contradiction with the owner of the former office space - București Mall Development and Management S.R.L. ("Anchor" or "the Owner").

During February 2022, the Group (or "Tenant") became aware of the contents of this file and the amount of the claims, as follows:

i) RON 267,214.96 representing rent, service charge and utilities;

ii) RON 100,109.95 representing late payment penalties related to the principal amount; and

iii) RON 3,632,709.91 representing compensatory damages (penalty clause).

Taking into account the approval given by the GMS in September 2021 for the expansion of the office and classroom space, in order to accommodate the team that will result from the M&A operations already carried out, in addition to those that have been approved to be carried out in the next 3 years, the Group has exercised, pursuant to article 4.1 of the Contract, the option to expand the Space by an additional 3.500 sqm of office space, undivided 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 (which benefits from similar commercial and technical conditions - i.e. is a class A office building and is located within walking distance of a metro station)", based on the notification sent to the Owner on 10.12.2020.

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

i) 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, namely its availability is conditional on the relinquishment (unlikely, as it follows from the communicated response) of its use by another tenant;

ii) the availability of the space differs, there being a gap of 3 months between the space available on the same floor (in area of 1,495.61 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 (i.e. different duration, the need to bear some refurbishment 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 by email sent on 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 has maintained and confirmed its position by refusing to pay invoices issued after the termination date in the absence of a contractual relationship.

Through the Notification dated April 23, 2021, the Group requested Anchor to deduct the remaining rent payments until the date of termination of the contract as a result of the unilateral denunciation by the Renter (i.e. the remaining rent payments 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 Anchor sent its own notice of termination of the Contract citing the fault of the Tenant for non-payment of invoices, at the same time requesting compensatory damages according to the penal clause. Also, on 1.09.2021, Anchor executed the Guarantee provided by the Renter according to Annex 5 to the Contract.

On 23.09.2021 the Group notified the Owner regarding the fact that the Notice of Termination sent on 04.08.2021 is without object, considering that the 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 ruling in this regard.

At the first term of the trial on 10.06.2022, the court asked the plaintiff to indicate the amount of the annual rent owed under the rental contract and the method of calculating it, the corresponding documents, with

the mention of proving the payment of the court fee of stamp, calculated at this value, until the next court term of 14.10.2022, under penalty of cancellation The plaintiff requested the re-examination of the stamp duty, a request that was rejected. The plaintiff paid the stamp duty in full.

By the closing of the hearing of 24.10.2022, the court postponed the ruling on the testimonial evidence after the submission of the answers to the interrogatories and an expert accountant was appointed to draw up the expert report with the following objectives, granted to the defendant:

1. The amount of Rent and Penalties owed by the Defendant outstanding on the date of the filing of the summons referred to 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. Correctness of the calculation of the amounts requested for payment by the claim, namely the amounts of RON 267,214.96, representing rent, service charge and utility costs, RON 100,109.95 representing late payment penalties and RON 3,632,709.91 representing compensatory damages, as requested by the claimant.

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. In view of the absence of the expert report, the court granted a new deadline of 21.04.2023. The expert's report was filed on 16.06.2023, and the court stayed the ruling for 30.06.2023.

After successive postponements the court has ruled on 04.08.2023. Solution in brief: "The application as specified was admitted in part. The court orders the defendant to pay the applicant the amount of RON 102,627.51 by way of late payment penalties. The court dismisses the other claims as unfounded. It orders the parties to bear their own costs in part and, accordingly, orders the defendant to pay to the plaintiff the sum of EUR 3,203.92 as court costs. Appeal within 30 days of service. The appeal shall be lodged with the Bucharest Court - Civil Division VI. Up to the date of this report, the judgment has not been communicated to the parties.

The Group has recorded a provision in the amount of 105,831.42 lei in the financial statements as at 31.12.2023.

e) Environmental aspects

The implementation of environmental regulations in Romania is in the development phase and the application procedures are reconsidered by the authorities. Bittnet's professional activity has no impact on the environment. Acting in the field of 'services', our activity consists of acquiring knowledge and transferring it to customers, either during training courses or through consultancy, design and implementation services.

NOTE 28. SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies adopted when drawing up the consolidated financial statements are presented below.

a) Revenue recognition

The company recognises revenue in such a way as to reflect the obligations to be performed relating to the transfer of assets or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Obligations to be fulfilled and revenue recognition methodology

The majority of the Company's income comes from the provision of IT services and training and integration, including the sale of goods, with revenue recognised when control of the goods has been transferred to the customer.

The performance obligations identified in Group's contracts are generally limited to the goods or services explicitly stipulated in that contract, without any tacit promises as a result of usual business practices, published policies or other specific statements.

If the selling price includes a separate, contractually specified amount for the subsequent provision of services (as in the case of revenue from the sale of producer guarantee services), that amount is deferred (account 472 “Deferred income”) and recognised as revenue during the period in which the services are rendered, but no later than the end of the period for which the subsequent provision of services was contracted. Conversely, the related expenses are deferred (account 471, “Prepaid expenses”) and recognised in the same period in which the services are rendered.

Determination of transaction price

The majority of the Company's income comes from fixed price contracts and therefore the amount of revenue to be derived from each contract is determined by reference to fixed prices. In the estimation of contractual revenues, the component related to discounts granted to customers is deducted, when they are likely to decrease the value of the revenues.

Allocation of amounts to be executed

For most contracts, there is a fixed unit price for each product or service sold. Therefore, there are no reasoning applied in allocating the contract price for each product or service.

Costs for obtaining contracts

Most contracts are short-term, so any incremental commissions paid to sales personnel for the work performed to obtain the contracts are directly recognized in the comprehensive income statement, without being capitalized.

b) Impairment of non-financial assets (excluding inventories, real estate investments and deferred taxes)

Impairment tests on goodwill and other intangible assets with undetermined useful economic life shall be carried out annually at the end of the financial year. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount cannot be recovered. If the carrying amount of an asset exceeds its recoverable amount (i.e. higher value of use and fair value less selling costs), the asset is reduced accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is performed on the smallest group of assets to which it belongs, for which there are separately identifiable cash flows - its cash-generating units. Goodwill is allocated on initial recognition to each of the Company's cash-generating units that are expected to benefit from a business combination giving rise to goodwill.

Impairment adjustments are included in profit or loss unless they represent reversals of gains previously recognized in other comprehensive income. A recognized impairment loss on goodwill is not reversed.

c) Balances and transactions in foreign currency

Transactions carried out by the Company in a currency other than the currency of the primary economic environment in which it operates ("functional currency") are recorded at the rates prevailing at the time of the transactions. Monetary assets and liabilities in foreign currency are converted at the rates at the reporting date.

Exchange rate differences arising on the restatement of monetary assets and liabilities shall be recognized immediately in profit or loss.

d) Financial assets

The Company's accounting policy for the classification of financial assets is as follows.

Equity securities

Equity securities are stated at cost and are tested annually for impairment.

Amortized cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments and not listed on an active market. They are included in current assets, except those with a maturity of more than 12 months after the end of the reporting period. These are classified as non-current assets.

These assets come mainly from the provision of goods and services to customers (e.g. trade receivables), but also include other types of financial assets where the objective is to hold these assets to collect contractual cash flows and contractual cash flows are exclusively principal and interest payments. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently accounted for at amortized cost using the effective interest rate method, less adjustments for impairment.

Impairment adjustments for trade and other receivables are recognized on the basis of the simplified approach in IFRS 9, using an adjustment matrix in determining expected losses. The likelihood of non-payment of trade receivables is assessed in this process. This probability is then multiplied by the amount of expected loss resulting from non-payment to determine the expected credit loss for trade receivables. For trade receivables, these adjustments are recorded in a separate adjustment account, the loss being recognized within the general and administrative costs in the comprehensive income consolidated statement. Upon confirmation that the trade receivable cannot be collected, the gross carrying amount of the asset is written off against the associated adjustments.

Claims impairment adjustments with related parties and loans to related parties are recognized on the basis of an anticipated credit loss model. The methodology used to determine the amount of the adjustments is based on the existence of a significant increase in credit risk since the initial recognition of the financial asset.

For those for which the credit risk has not increased significantly since the initial recognition of the financial asset, credit losses expected for twelve months together with gross interest income are recognized. For those for which credit risk has increased significantly, estimated losses on receivables together with gross interest income are recognized. For those that are determined as obvious credit impairments, expected losses on receivables, together with interest income on a net basis, are recognized.

The Company's financial assets measured at amortised cost comprise trade and other receivables as well as cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents include cash in hand, term deposits with banks, other extremely liquid short-term investments with initial maturities of three months or less, and - for the purpose of cash flow statement - bank overdrafts. Banking disclosures are presented in loans and loans in current liabilities in the consolidated statement of financial position.

Financial assets at fair value

The Company holds financial assets in the form of equity securities, which are recognised in the financial statements at fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

e) Financial liabilities

The Company's accounting policy for the classification of financial liabilities is as follows.

Bank loans and borrowings under the Company's redeemable bond issue are initially recognised at fair value, net of any transaction costs directly attributable to the issue of the instrument. Interest-bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense in the repayment period is at a constant rate on the balance of the liability recorded in the consolidated financial position statement.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer repayment of the debt for at least 12 months after the end of the reporting period.

For each financial liability, interest expenses shall include the initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable over time.

The Company has no derivative liabilities that are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income and has no trading obligations nor has it designated financial obligations as at fair value through profit or loss.

f) Share-based payments (SOP)

The company grants options to purchase shares settled from its own capital to employees and collaborators.

The fair value of options at the date of granting shall be systematically recorded in the consolidated statement of comprehensive income for the period up to the exercise of the option. Non-market-based conditions of entry shall be taken into account by adjusting the number of equity instruments expected to be recorded at each reporting date so that ultimately the cumulative amount recognized in the vesting period is based on the number of options that may be paid. The conditions of non-qualification and the conditions of entry into rights are included in the fair value of the granted options. Cumulative expenditure shall not be adjusted for failure to fulfil a condition of entitlement or where a condition of non-qualification is not fulfilled.

g) Leasing

As of January 1, 2019, IFRS 16 replaced IAS 17 Leasing and related interpretations. The standard eliminated the accounting model for tenants and instead requires companies to bring most leases on the balance sheet within a single model, eliminating the distinction between operational and financial leasing.

In accordance with IFRS 16, a contract is or contains leasing if it conveys the right to control the use of an identified asset for a period of time in exchange for a mandatory payment. For such contracts, the new model requires a lessee to recognize a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the debt accrues interest. This will result in a model with higher payments at the beginning of the lease period of the expenses for most leases, even when the lessee pays constant annual rents.

The new standard introduces a number of exceptions to the scope for users which include:

- leases with a lease term of 12 months or less and which do not contain purchase options, and
- leases where the underlying asset has a low value ('low value' leasing transactions).

The company has analysed all the rental contracts for the rental of equipment and the spaces where it carries out its activity.

Transition method and Practical Exceptions used

The company adopted IFRS 16 using the modified retrospective approach, with the recognition of transitional adjustments at the date of initial application (January 1, 2019), without restatement of comparative figures. The company chose to apply the practical exception to not reassess whether it is a contract or contains a lease at the date of initial application. Contracts concluded prior to the transition date that were not identified as leases under IAS 17 and IFRIC 4 have not been restated. The definition of a lease in accordance with IFRS 16 only applied to contracts concluded or amended on or after 1 January 2019.

IFRS 16 provides for certain optional practical exceptions, including those related to the initial adoption of the standard. The company applied the following practical exceptions when applying IFRS 16 to leases previously classified as operating leases in accordance with IAS 17:

(a) applied a single discount rate to a rental portfolio with reasonably similar characteristics;

(b) excluded initial direct costs from the valuation of right-of-use assets at the date of initial application, where the right of use of the asset was determined as if IFRS 16 had been applied from the commencement date;

(c) it was based on previous assessments regarding whether the leases are onerous compared to the preparation of an impairment review in accordance with IAS 36 at the date of the initial application; and

(d) applied the exemption of not recognizing the rights of use of the assets and liabilities for leases with less than 12 months of lease remaining at the date of the initial application.

As user, the Company previously classified the lease as an operating or finance lease based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. In accordance with IFRS 16, the Company recognises lease assets and lease liabilities as of right for the majority of leases. However, the Company has chosen not to recognize lease assets and lease liabilities for certain asset leases of low value based on the de value as a new asset of the underlying asset for short-term leases with a lease term of 12 months or less.

Upon adoption of IFRS 16, the Company recognized the rights of use of lease assets and liabilities as follows:

Classified according to IAS 17	Rights of use	Leasing liabilities
Operational leasing	Assets from rights of use are measured at an amount equal to the leasing debt, adjusted by the value of any amounts paid in advance or pre-empted.	Measured at the current value of the remaining lease payments, discounted using the Incremental Loan Rate of the Company as of January 1, 2019. The Incremental Loan Rate of the Company is the rate at which a loan could be obtained from an independent donor on comparable terms and conditions. The average rate applied was 5% p.a.
Financial leasing	Measured on the basis of accounting values for leasing assets and liabilities immediately before the date of initial application (carrying amounts, unadjusted).	

h) External purchased intangible assets

Intangible assets acquired externally are recognized initially at cost and subsequently amortized linearly over the useful economic life: Licenses – 3-5 years, with the exception of the brand which is tested annually for impairment.

i) Tangible fixed assets

Tangible fixed assets include space arrangements, equipment, machines and other assets used for current activity. Tangible fixed assets are initially recognized at acquisition cost.

The acquisition cost includes the directly attributable costs and the estimated present value of any unavoidable and future costs of dismantling and disposing those items. The corresponding obligation is recognized in the provisions.

The depreciation of other tangible assets shall be calculated on the basis of the linear method with a view to allocating their cost less the residual value, over their useful life, as follows: Premises - for the duration of the lease contract, Other fixed assets - 2-5 years.

j) Inventory

Inventories are recognized initially at cost and subsequently at the lowest cost and net realizable value. The cost comprises all acquisition costs, conversion costs and other costs incurred in bringing the inventories to their current location and condition. Specific identification is used to determine the cost of interchangeable items.

k) Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, when an outflow of resources embodying economic benefits is required to settle the obligation and for which a reliable estimate can be made of the amount of the obligation. Where there are a number of similar obligations, the likelihood that a resource outflow will be required for settlement is established following the assessment of the liability class as a whole. The provision is recognized even if the likelihood of a resource outflow related to any item included in any class of obligations is low. Where the Company expects repayment of a provision, for example through an insurance contract, repayment is recognized as a separate asset, but only when repayment is theoretically certain.

Provisions are valued at the present value of the expenses estimated to be necessary to settle the obligation, using a pre-tax rate reflecting current market assessments of the time value of the money and the risks specific to the obligation. The increase in the provision due to the time passing is recognized as interest expense.

l) Employee benefits

In the normal course of business, the Company makes payments to the Romanian State on behalf of its employees, for health, pension and unemployment funds. All employees of the Company are members of the Romanian state pension plan, which is a fixed contribution plan. These costs are recognized in the profit and loss account with the recognition of salary expenses.

m) Current and deferred profit tax

Tax expense for the period includes current and deferred tax and is recognized in profit or loss, unless it is recognized in other comprehensive income or direct equity because it relates to transactions that are themselves recognized in the same period or in another period, in other comprehensive income or direct equity.

Current income tax expense is calculated based on the tax regulations in force at the end of the reporting period. The management periodically assesses the positions in the tax returns in relation to situations where the applicable tax regulations are interpretable and constitute provisions, where applicable, based on the amounts estimated to be due to the tax authorities.

Deferred income tax is recognized, based on the method of the balance sheet obligation, for temporary differences between the tax bases of assets and liabilities and their accounting values in the financial statements. However, deferred income tax resulting from the initial recognition of an asset or liability in a transaction, other than a business combination, which at the transaction date does not affect the accounting profit or the taxable profit, is not recognized. Deferred corporate tax is determined on the basis of the tax rates (and legal regulations) in force until the end of the reporting period and are to be applied during the period in which the deferred tax to be recovered will be capitalized or the deferred tax will be paid.

Deferred tax to be recovered is recognized only to the extent that a taxable profit is likely to be derived in the future from which temporary differences are deducted.

IFRIC 23 provides guidance on the accounting of current and deferred liabilities and taxes and assets under circumstances where there is uncertainty about corporate tax treatments. The interpretation provides as follows:

- It must be determined whether uncertain tax treatments should be considered separately, or together as a group, depending on the approach that provides better predictions about resolution;
- Determine whether tax authorities are likely to accept uncertain tax treatment; and

- If uncertain tax treatment is unlikely to be accepted, the tax uncertainty will be measured according to the most likely amount or expected value, depending on any method that better predicts the resolution of the uncertainty. The measurement should be based on the assumption that each of the tax authorities will examine the amounts they are entitled to examine and have full knowledge of all the information related to these examinations.

Following the application of the provisions of IFRIC 23, no impact on corporate tax liabilities was identified.

NOTE 29. RUSSIA - UKRAINE CONFLICT

I. Russia-Ukraine conflict

The invasion of Ukraine by the Russian Federation and the subsequent global response to these military actions could have a significant impact on some companies, especially companies with physical operations on the territory of Ukraine, Russia and Belarus, but also entities with indirect interests (e.g. those that they have suppliers and customers, investments and creditors, with operations on the territory of these countries). Also, the sanctions imposed on the Russian government, Russian entities and Russian persons in many jurisdictions could affect societies, such as through the loss of access to financial resources and trade, but also through the collateral effects of the sanctions on global prices (e.g. oil, natural gas and other products derived from oil). The effects of the conflict are large-scale and rapidly evolving. Companies that do not have operations in Russia and Ukraine could still be affected by the conflict, the effects including but not limited to:

- Destruction, confiscation or abandonment of tangible and intangible property;
- Sanctions imposed on a company that may impact its ability to operate (e.g. access to funds, banking systems, etc.);
- Sanctions imposed on a company's customers, which may impact its ability to sell goods and services and collect debts;
- Sanctions imposed on a company's suppliers, which may impact its ability to obtain raw materials, goods and services, or which may indirectly increase the costs of obtaining these elements from alternative sources;
- Sanctions imposed on creditors and/or banks of an entity, which may limit its ability to access funds and credits;
- Changes in the approach to clients and consumers regarding companies with ties to Russia, Belarus or other jurisdictions related to the Russian Federation, which could reduce demand for the products of those companies;
- Changes in risk appetite that can lead to the situation where creditors and investors withdraw their financial support for companies with ties to Russia, resulting in an increased liquidity risk and/or doubts regarding the continuity of the respective companies' activity;
- Volatility in the prices of financial instruments and goods, including oil, natural gas, other products derived from oil and minerals, but also volatility in exchange rates.

Based on the information available up to this moment, the Company's Management has not identified concrete potential risks related to the Russia-Ukraine conflict and thus, at this moment, it does not expect a significant impact in terms of the current operations. Direct exposure of the Company to third parties affected by the sanctions imposed since the outbreak of the conflict (customers, suppliers, banking institutions with which the Company collaborates, which have been directly affected by the sanctions) does not exist. The indirect exposure (customers, suppliers with whom the Company collaborates, with links with third parties affected by sanctions, as well as risks related to the future volatility of commodity prices or currency exchange rates) is unquantifiable, the Company's management has so far received no indication of any significant impact on the Company's business..

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

NOTE 30. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

I. Change of Board of Directors of Bittnet Systems

On January 25, 2024, Bittnet Systems SA shareholders voted for the composition of the new Board of Directors, considering the expiring mandates of the former members at the end of January. The new composition of the CA is:

- Ivylon Management S.R.L. through legal representative Logofătu Mihai Alexandru Constantin, executive administrator and President of the Board of Directors
- Anghel Lucian Claudiu, Vice President of the CA, non-executive member of the Board of Directors
- Constantinescu Gabriel-Claudiu, non-executive member of the Board of Directors
- Quercus Solutions S.R.L. through legal representative Micheș Paul, non-executive member of the Board of Directors
- Eccleston Square Capital Limited, through legal representative Ciucu Bogdan, non-executive member of the Board of Directors

The mandates of the current CA members are for a period of 4 years.

II. BNET28 bond listing | February 2024

On 02.02.2024, the first trading session took place for the bonds issued on 15.12.2023 under the symbol BNET28. The BNET28 issue consists of 100,000 bonds with an individual value of RON 100 and a total value of RON 10,000,000. The bonds are listed on the main market of the Bucharest Stock Exchange, the segment dedicated to fixed income instruments.

III. Board of Directors decision – primary offering of corporate bonds

On 28.02.2024, the issuer informed the capital market about its intention to launch a new primary offer for the sale of corporate bonds under conditions similar to the previous two offers: BNET27A and BNET28. In this regard, the Board of Directors decided the coordinates of the operation and of the future instrument. The subscription period will start after receiving the approval from the ASF for the offer documentation.

The financial statements from page [3] to page [76] were approved and signed on 22 March 2024.

Mihai Logofatu	Adrian Stanescu
CEO	CFO