

FINANCIAL REPORT FOR THE THIRD QUARTER OF 2023

Issuer: **Arctic Stream S.A.**

Trading market: SMT-AeRo

LEI code: 787200IT0H3BZ7P2VD49

Simbol: **AST**

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A MESSAGE FROM OUR CEO

Dear Investors,

In September this year, we at Arctic Stream announced the best first-half results in our company's history. Today, I am pleased to report the best results for the first three quarters of any fiscal year in our history.

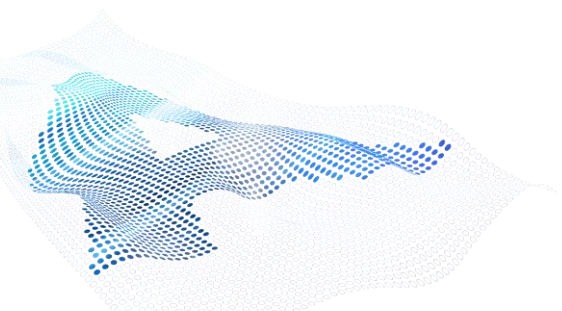
We have concluded the first 9 months of 2023 with a turnover exceeding 93M RON, marking a 73% increase compared to the same period last year, while our expenses saw a slightly lower increase of 69%. This has been reflected in our operating profit, where we recorded a 126% increase up to 9.7M RON, and in our net profit, which grew by 91% to 8.2M RON, closely approaching our budgeted targets for the entire year 2023 (10M RON operational profit and 8.4M RON net profit).

Given the figures communicated so far, we can confidently estimate that we will significantly exceed our Budgeted Revenue and Expense Plan for 2023, both in terms of turnover and operating profit. As previously stated and as we have accustomed our investors, should we have strong indications of significantly surpassing our current estimates, we will inform our shareholders and the market through an operational update.

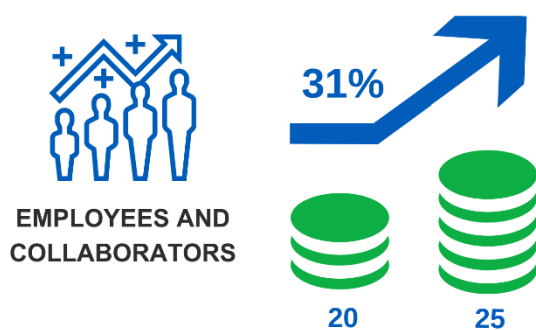
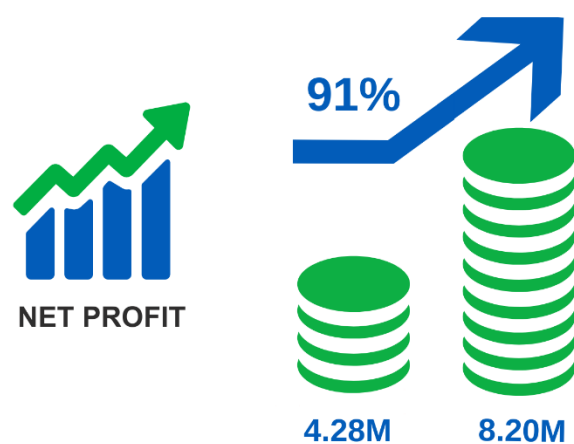
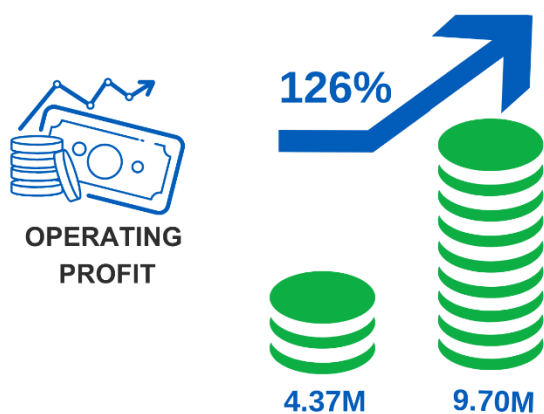
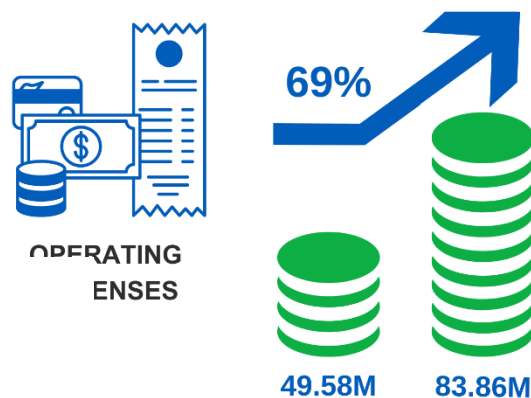
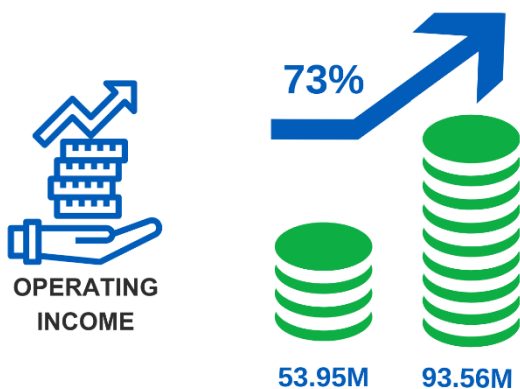
Although we are witnessing some local instability and delays in deploying some of the PNRR funds promised for digitalization, and budget adjustments in the public sector have largely led to cuts in expenses and investments, we remain optimistic about the local integration market and look forward to 2024 with confidence.

Thank you for your trust!

Dragos DIACONU
CEO, Arctic Stream



KEY ASPECTS



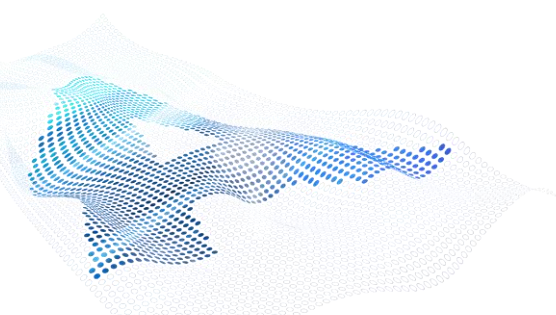
ISSUER INFORMATION

General Information – Financial Report

| | |
|-------------------------|--|
| Type of Report | Quarterly Financial Results Report – Year 2023 – Quarter III |
| Reporting Period | June 1, 2023 – September 30, 2023 |
| Report Publication Date | November 14, 2023 |
| In accordance with | ASF Regulation No. 5/2018 |

General Information – Issuer

| | |
|----------------------------|---|
| Company Name | ARCTIC STREAM S.A. |
| Headquarters | Banul Antonache No. 40-44, 2nd Floor, Sector 1, Bucharest, Romania |
| Legal Representative | Dragos – Octavian DIACONU, as Sole Administrator |
| Email | investors@arcticstream.ro |
| Phone | +40 371 493 579 |
| Fax | +40 372 873 272 |
| Tax Identification Number | RO 38114908 |
| Commercial Register Number | J40/14595/2017 |
| Website | www.arcticstream.ro |
| LEI code | 787200IT0H3BZ7P2VD49 |
| Trading Symbol | AST |



Arctic Stream Presentation

Arctic Stream, which became a joint-stock company on May 14, 2021, defines itself as an IT infrastructure and security integrator in the Romanian market, focusing on recent technologies offered by the manufacturer Cisco Systems, with a significant presence in the local market, and in line with the latest global market trends (Software-Defined Infrastructure, DevOps).

The role of an integrator, in general, is to implement the technologies of one or more manufacturers for an end client (user), leveraging its own experience and adding its services. For the end user, it is uneconomical to maintain their own experts, and for the manufacturer, it is also inefficient, especially due to the uniqueness of each project and possible interactions with other manufacturers, as well as due to the difficulty of geographic coverage. Certified integrators are called partners, and the differences between them are given by the technical specializations they hold and their scope.

The company has two business directions:

- (1) Consultative resale of IT solutions
- (2) Professional services, either separately or in conjunction with solution resale

Currently, our solution resale includes technologies from renowned manufacturers such as:

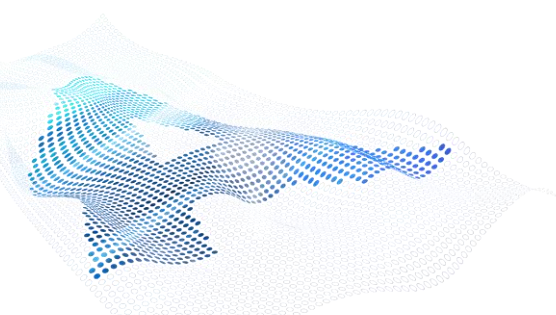
- Cisco Systems
- Dell
- Palo Alto Networks
- Vmware
- Veeam
- Recorded Future
- Nutanix

The company is continuously seeking technology partnerships that can add value to the existing solutions in our portfolio.

Unlike other integrators, **Arctic Stream** does not aim to resell similar solutions from different manufacturers based solely on opportunity, but rather to propose the best solution, when available, from manufacturers with whom we have partnerships and sufficient expertise (or the possibility of incrementally assimilating it), thus focusing on the technical area that we fully understand and master.

The technologies cover the following areas:

- Data network infrastructure
- Computing infrastructure for data centers
- Virtualized infrastructure in the cloud and on-premises
- Infrastructure management and automation (orchestration)
- IT security
- Collaboration and remote work



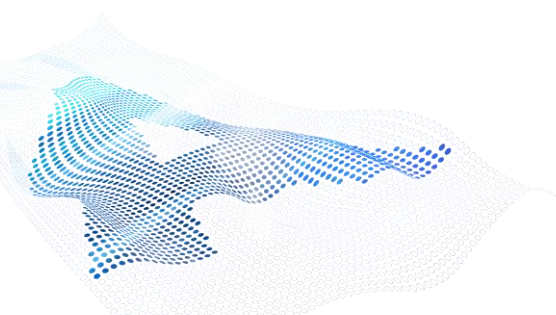
Our most well-known clients currently include significant players in retail, energy, utilities, as well as the public sector. However, over the past year, the company has succeeded in expanding its client portfolio into the software development, financial, and manufacturing sectors

Our professional services portfolio includes:

- Evaluation of existing IT infrastructure and security posture
- Consulting
- Designing, redesigning, integrating, and developing data and IT security infrastructure in line with business objectives
- Project management
- Configuration, implementation, and migration of complex solutions
- Post-implementation maintenance and operational support

Since the end of last year, Arctic Stream has embarked on a new initiative in the field of organizing specialized courses (infrastructure and data centers, cybersecurity) to increase the competencies and appetite for technology within the engineering community among our clients and business partners. These courses differ from those already available in the market in two important aspects – the trainers are experienced implementation engineers who can bring practical examples into their presentations, and the curriculum is customized to address the clients' requirements.

As of the writing of this report, the Arctic Stream team is composed of 29 employees and collaborators.



I. MAJOR EVENTS DURING THE REPORTING PERIOD

General Shareholders Meeting

On April 26, 2023, the Ordinary General Meeting of Shareholders (OGM) of AST was held at the Arctic Stream headquarters, in accordance with the Notice published in the Official Gazette of Romania, Part IV, dated March 24, 2023. With a quorum of 82.66%, decisions were made to approve the financial statements for 2022 along with the discharge of the sole administrator, approval of the revenue and expenditure budget for 2023, allocation of profits, and various administrative matters. All resolutions of the OGM are published on the company's website, in the Investors section.

Regarding the allocation of the profit for the year 2022, amounting to 6,766,584 RON, it was approved to distribute dividends of 4,191,300 RON by setting a gross value of 1RON per share. An amount of 2.5M RON from the profit remained at the company's disposal as undistributed profit, and the legal reserve was not required to be constituted.

Signing of Significant Contracts

As of the date of this report, Arctic Stream has announced the signing of five significant contracts or framework agreements, each exceeding 10% of the company's turnover in the previous fiscal year:

| Nr. Crt. | Contract Value | Contract Object | Duration | Beneficiary | BVB Report Number |
|----------|------------------|--|-----------|--|------------------------------------|
| 1. | 12.4 Million RON | Communication Equipment | 11 months | Client from the public sector | Report Number 01 / January 3, 2023 |
| 2. | 1.55 Million USD | Equipment for Communication Infrastructures | 9 months | Client from the public sector | Report Number 16 / March 17, 2023 |
| 3. | 11.5 Million RON | Integrated Systems for Communication Networks and Data Centers | 9 months | Client from the public sector | Report Number 20 / March 30, 2023 |
| 4. | 50 Million RON | Framework Agreement - Communication Equipment - Routers | 36 months | Client from the public sector | Report Number 47 / August 4, 2023 |
| 5. | 407 Million RON | Framework Agreement - Communication | 48 months | Public sector client with responsibilities | Report Number 52 / |

| | | | | | |
|--|--|----------------------------------|--|-------------------------|-------------------|
| | | <i>Equipment for Data Center</i> | | in the field of defense | September 7, 2023 |
|--|--|----------------------------------|--|-------------------------|-------------------|

Regarding the framework agreement mentioned in point 5, with a total value of over 400 million RON, we would like to make some clarifications. Firstly, as we announced in the current report 52/7.09.2023, the total value of the framework agreements is represented by the prices for the maximum estimated quantities that will be delivered and purchased by the beneficiary based on subsequent contracts to be signed later. Therefore, there is no firm commitment from the beneficiary to purchase the maximum quantities indicated; these will be ordered according to their needs and requirements during the duration of the framework agreement, and the total value of the subsequent contracts signed may substantially differ from the estimated maximum value.

Moreover, in this situation, the framework agreements were signed with 2 (two) economic operators, so for each framework agreement, competition will be renewed between these two economic operators. However, this competition is only renewed at the financial level, not at the technical level, where scores are already established/known for each economic operator, so only for certain framework agreements the chances are solid.

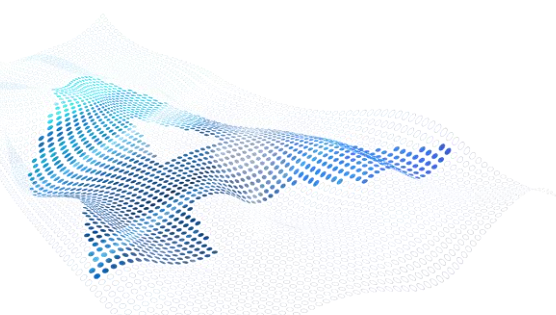
As we have accustomed the market, we will be transparent and will immediately announce as soon as a subsequent contract exceeding 10% of the turnover of the previous financial year is signed, and also every time when our current operational activity strongly indicates a consistent deviation from previous estimates.

As of the writing of this report, competition for some subsequent lots has been renewed, with our company being ranked first in several lots. If the total of these lots meets the requirements indicated above, we will return with a current report after the signing of the subsequent contracts.

Progress of the Share Buyback Program

In accordance with the Decision of the Extraordinary General Meeting of Shareholders No. 1 / April 27, 2022, published in the Official Gazette No. 2110 of May 19, 2022, the share buyback program was initiated on June 3, 2022. It pertains to the Company's purchase of a maximum of 100,000 shares, at a minimum price of 0.1 lei per share and a maximum price equal to the lower of:

- i. 30 RON per share, and
- ii. the higher value between the price of the last independent transaction and the highest price at that time of the independent acquisition offer at the trading venue where the purchase is made, according to Art. 3 para. (2) of the Delegated Regulation No. 1052/2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council regarding the technical regulatory standards for conditions applicable to buyback programs and stabilization measures; the aggregate value of the program is given by the maximum value of the price of a share multiplied by the maximum number of shares admitted for repurchase, namely 100,000 shares.

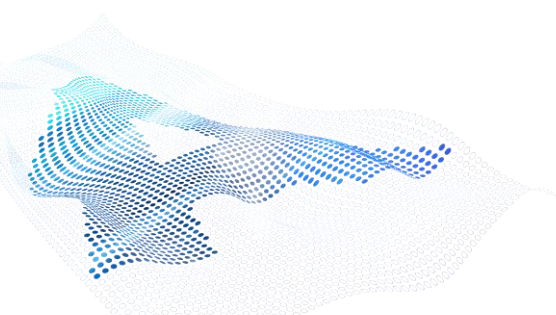


The duration of the program is a maximum of 18 months from the date of publication of the Decision of the Extraordinary General Meeting of Shareholders No. 1 / April 27, 2022, in the Official Gazette Part IV.

As of the drafting of this report and in accordance with the notifications submitted for the presentation of the share buyback program, the total number of shares repurchased since the beginning of the buyback period is 80,574 shares, with a total transaction value since the start of the program of 1,942,850.70 RON. Future repurchased shares will either be used for the implementation of the SOP program or will be subject to cancellation. Furthermore, the end of the share buyback program, as approved in the form described above, will conclude on November 19, 2023..

Progress of the SOP (Stock Option Plan)

Taking into consideration the Resolution of the General Assembly of Shareholders No. 1 dated June 7, 2021, approving the Plan for rewarding key persons in Arctic Stream S.A. with options 'Stock Option Plan', the Decision of the Sole Administrator No. 1/20.05.2022, the notification of exercise of the option granted by the Company, and the Decision of the Sole Administrator No. 1/11.07.2023, which noted that the total number of options exercised, namely the maximum number of shares to be transferred to eligible employees following the exercise of options granted in 2021, is 62,725.



II. ANALYSIS OF FINANCIAL RESULTS - Financial Performance

Financial Performance

| FINANCIAL PERFORMANCE INDICATOR | 30.09.2022 | 30.09.2023 | Δ % |
|---------------------------------|------------|------------|-------|
| Operating Revenues | 53.955.661 | 93.569.799 | 73% |
| Operating Expenses | 49.585.163 | 83.863.647 | 69% |
| Operating Profit | 4.370.498 | 9.706.151 | 126% |
| Financial Result | 643.680 | -17.315 | -103% |
| Profit Tax Expenses | 724.580 | 1.481.763 | 104% |
| Net Profit (reporting period) | 4.289.598 | 8.207.074 | 91% |

P&L Description

The company has maintained its focus on operational efficiency, reflected by the consistent growth of the operational profit, which nearly doubled to 9.7M RON. This notable progress is a direct result of complex projects implemented by the company, which included a significant component of professional services, leading to a 73% increase in operating revenues.

The expansion and specialization of the AST team have been another strong point, ensuring solid development both in day-to-day management and in terms of our technical capacity and performance. Our efforts in organic development are highlighted by the operating revenues, which amounted to 93.6 million RON, without introducing a new business line, thus coming very close to the target of 102.5 million RON set in the Budgeted Revenue and Expense Plan (BVC) for this year.

However, the financial result was negative, with a loss of 17,315 RON, a reversal from the previous year's profit. This decrease comes against the backdrop of the revaluation of the company's USD holdings, used to mitigate currency fluctuations.

The company's expenses followed the same upward trend, increasing by 69%, which is expected in the context of business level expansion but below the revenue growth percentage. The profit tax expenses also increased significantly, reaching 1.4M RON, reflecting the increasing gross profit.

The net profit recorded a robust growth, reaching a value of 8.2 million RON, 91% more than in the previous period, thus approaching the target of approximately 8.5 million RON budgeted for the current year. These figures demonstrate that, even in the face of rising operational and tax costs and a challenging financial context, the company maintained a positive direction, with sustained focus on operations, efficient resource management, and solid strategic planning.

These figures make us optimistic for the financial results of 2023, and we are confident that we will promisingly exceed the budgeted turnover for 2023 (102M budgeted vs 93M achieved at Q3 2022). In terms of net profit, we also estimate an exceedance compared to the net profit in the BVC (8.5M budgeted vs 8.2M achieved at the end of Q3 2023), and if we have strong indications of significantly surpassing our existing estimates, we will inform shareholders and the market through an operational update.

Profit and Loss Account

| Profit and Loss | 2022.09 | 2023.09 | Δ (09.2023 vs 2022) % |
|---|-------------------|-------------------|-----------------------|
| OPERATING REVENUES (INCLUDING): | 53.955.661 | 93.569.799 | 73% |
| Turnover | 53.900.535 | 93.493.337 | 73% |
| Other operating income | 55.126 | 76.461 | 39% |
| OPERATING EXPENSES (INCLUDING) | 49.585.163 | 83,863,647 | 69% |
| Costs related to raw materials and consumables | 83.010 | 104,328 | 26% |
| Costs related to goods | 29.200.909 | 49,344,181 | 69% |
| Other material costs | 62.135 | 50,663 | -18% |
| Other external expenses, including energy and water | 0 | 0 | 0% |
| Personnel expenses | 1.809.691 | 2.844.176 | 57% |
| Expenses related to Stock Option Plan | 0 | 1,071,480 | 100% |
| Depreciation and Value Adjustments Expenses | 310.353 | 299,875 | -3% |
| Other operating expenses | 18.119.065 | 30,148,943 | 66% |
| Trade discounts received | 74.840 | 0 | 0% |
| OPERATING PROFIT | 4.370.498 | 9,706,151 | 126% |
| Financial income | 702.415 | 2,699,742 | 284% |
| Financial expenses | 58.736 | 2,717,057 | 4526% |
| FINANCIAL PROFIT | 643.680 | -17,315 | -103% |
| Total revenues | 54.658.077 | 96,269,540 | 76% |
| Total expenses | 49.643.899 | 86,580,704 | 74% |
| GROSS PROFIT | 5.014.178 | 9,688,836 | 93% |
| Tax Profit | 724.580 | 1,481,763 | 104% |
| NET PROFIT | 4.289.598 | 8,207,073 | 91% |

Financial Ratios

| Financial Ratios | 2022.09 | 2023.09 | Δ (09.2022 vs 2023) % |
|------------------------------------|-------------------|-------------------|-----------------------|
| Fixed Assets (including): | 884.131 | 2.001.586 | 126% |
| Intangible Assets | 0 | 0 | 0% |
| Tangible Assets | 884.131 | 2.001.586 | 126% |
| Current Assets (including): | 34.739.117 | 47,026,547 | 35% |
| Inventories | 872.697 | 1.231.684 | 41% |
| Accounts Receivable | 10.357.539 | 22,048,373 | 113% |
| Cash and Bank Balances (liquidity) | 23.508.881 | 23,746,489 | 1% |

| | | | |
|---|-------------------|-------------------|---------------|
| Prepaid Expenses | 722.880 | 1.814.738 | 151% |
| TOTAL ASSETS | 36.346.127 | 50,842,870 | 40% |
| Short-Term Liabilities | 20.746.067 | 28,794,692 | 39% |
| Long-Term Liabilities | 2.313.871 | 1,370,164 | -41% |
| Provisions | 0 | 2.878 | 100% |
| Deferred Revenues | 744.413 | 2.105.634 | 183% |
| TOTAL LIABILITIES | 23.804.352 | 32.273.368 | 36% |
| Equity (including): | 12.541.775 | 18.569.502 | 48% |
| Subscribed and Paid-in Capital | 419.130 | 419.130 | 0% |
| Reserves | 83.826 | 83.826 | 0% |
| Retained Earnings | 7.932.953 | 9.877.809 | 25% |
| Treasury Shares | -876 | -694.118 | 79101% |
| Employee Benefits - SOP | 0 | 792,480 | 100% |
| Losses from Equity Instruments | -182.856 | -116.698 | -57% |
| Profit at the End of the Reporting Period | 4.289.598 | 8.207.073 | 91% |
| TOTAL EQUITY AND LIABILITIES | 36,346,127 | 50.842.870 | 40% |
| Number of Employees | 20 | 25 | 25% |

In the first 9 months of 2023, the total assets recorded a growth of 40% compared to the same period last year, increasing from 36.3 million RON to approximately 50.8 million RON, mainly due to current assets.

Current assets saw a 35% growth compared to the end of Q3 2022, reaching 47 million RON, with significant contributions from liquidity components, including cash and bank accounts, along with accounts receivable and inventory.

Inventory increased during the reporting period, rising from 0.87 million RON to 1.2 million RON, primarily due to the implementation of more complex projects with well-defined delivery and acceptance stages. Accounts receivable also experienced substantial growth, nearly doubling compared to the same period last year, with an increase of over 113%, from 10.3 million RON to 22 million RON, driven by increased business volume and the execution of major projects.

The cash position and bank accounts remained relatively stable, with a minor 1% increase, at around 23.7 million RON. This includes both the company's immediate liquidity (current accounts) and term deposits, which were used to protect against inflation and provide basic protection against exchange rate fluctuations (RON - USD).

Liquidity components should be considered in balance with short-term and long-term liabilities and the accounts receivable component. Analyzing liabilities, short-term liabilities recorded growth during this period, increasing from 20.7 million RON to 28.7 million RON, representing a 39% increase. Long-term liabilities, on the other hand, decreased by 41%, primarily due to the early closure of an IMM Invest credit.

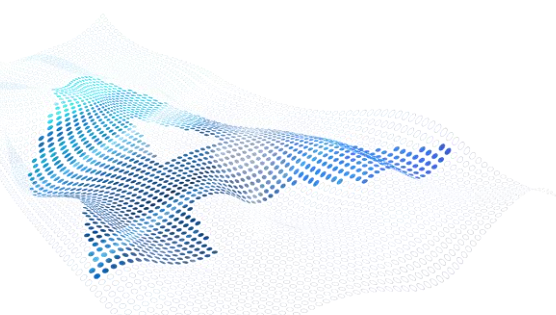
Taking all these factors into consideration, assuming the collection of receivables (excluding inventory) and the payment of all debts, a strong cash position of over 15 million RON remains..

In the reporting period, prepaid expenses increased significantly (up by 151%), mainly due to the specific phasing of complex projects that had a longer acceptance and billing dynamics spanning multiple fiscal years. This index is directly related to advance revenues, which also saw a growth of 183% for the same reasons.

Shareholders' equity increased by over 48% compared to the figure of 12.5 million RON recorded for Q3 2022, reaching 18.5 million RON. This growth is based on retained earnings as well as the net profit for the current period. Additionally, the first year of the SOP program approved by the company's shareholders had specific effects on shareholders' equity.

Economic and financial indicators

| | | |
|-------------------------------------|---|--------------|
| Current Liquidity Ratio | <i>Current Assets / Current Liabilities</i> | 1.63 |
| Debt-to-Equity Ratio | <i>Borrowed Capital / Equity x 100</i> | 7.38 |
| Accounts Receivable Turnover | <i>Accounts Receivable / Revenue x 270</i> | 63.62 |
| Fixed Asset Turnover | <i>Revenue / Fixed Assets</i> | 46.75 |



III. STATEMENT OF THE ISSUER'S MANAGEMENT

This is a declaration made by **Dragos Octavian DIACONU**, in his capacity as the Sole Administrator of **ARCTIC STREAM S.A.** According to his best knowledge and based on the most reliable information available, the unaudited preliminary financial statements for the end of the third quarter of the fiscal year 2023 (January 1, 2023, to September 30, 2023) of **ARCTIC STREAM S.A.** accurately and faithfully represent the assets, liabilities, financial position, income, and expenses of the company. Furthermore, the current report published on November 14, 2023, in accordance with the financial calendar, provides accurate and complete information about the issuer in its reference aspects.

Date: 14.11.2022

Dragos – Octavian DIACONU

Sole Administrator – ARCTIC STREAM S.A.

