

ANNUAL REPORT 2016

Annual report in accordance withArticle 112 from the ASF Reglementation
No. 1/2006**For the financial exercise**

01.01.2016 - 31.12.2016

Report date

24 Martie 2017

Company name

BITTNET SYSTEMS S.A.

Registered officeSoimus street no. 23, building 2, apartment
24, District 4, Bucharest**Telephone/Fax number**

021.527.16.00 / 021.527.16.98

Single Register Code

21181848

**Registration Number with the
Trade Registry Office**

J40/3752/2007

Market on which the issued securities are traded

AeRO ATS

Subscribed and paid up share capital

1,451,412.3 RON

**Main characteristics of the securities issued by the
company**14,514,123 common shares with face
value of 0.1 RON each**Symbol**

shares: BNET

bonds: BNET19

ISIN Code

ROBNETACNOR1

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Message from the CEO

2016 represented our second year of activity as a public company, listed on the AERO market of the Bucharest Stock Exchange and also the tenth year of activity, a threshold of maturity very important both for us and for IT entrepreneurship in Romania. Thus we mark the transition to a medium-sized company, that has managed to grow and develop constantly and continuously on solid business principles and cultural values aiming honesty, transparency and flexibility in terms of performance and competence.

2016 was the best year in our company's history, both from a financial and an operational perspective, thus confirming the long term plans and growth pillars communicated in the recent years.

Bittnet Shares have been traded in a number of 235 sessions during 2016, with the capitalization of the company increasing almost 3 times (from 7.7 to 21.4 million RON). We thank the shareholders for this implied vote of confidence, which confirms their trust in the plans that we have communicated but also in the team that works daily to build a significant Romanian brand.

We hope that the company's results will reach or surpass the shareholders' expectations. As such, the accelerated growth of the gross revenue and registered gross margin came as a reconfirmation of the accelerated growth strategy that the company follows, described in the shareholder's manual, available at: <http://investors.bittnet.ro/manualul-posesorului/>.

As proof, the company's operational profit in the fiscal year 2016 is more than twice higher when compared to the one from 2015, although the gross revenue grew only by 36%. We will continue to follow the same strategy of sustained growth in 2017.

2016 has been a year of continuation of strengthening the status of a very transparent public company (included in the "Premium" category of the AERO market), which uses the stock market's mechanisms for raising capital and financing the activity. In 2016 we have registered two premiers.

In July 2016 we successfully placed the first bond issue by a listed IT company in Romania – we have attracted nearly 1 million euro from 40 private investors. Also in 2016 we recorded the first operation of capital increase through the Stock Exchange's mechanisms (POFX market) that was distributed through all the intermediaries!

Another aspect of evolution in 2016 was geographic coverage, where we continued to transit from a mainly local company to a national coverage company focused on the newest technological trends: cloud, cybersecurity, data center. Therefore, along with the office in Cluj, which continued to expand in the second year after already confirming its viability, we have opened local offices in Sibiu and Brasov. For 2017 we target the opening of more offices in one or two areas, Iași/Timișoara.

At the same time, we continued the transition towards a regional development and cooperation beyond Romania's borders. Therefore, beginning with 2016 we have a dedicated role of Inside Sales representative for Western Europe, respectively joining the LLPA (<http://thellpa.com>) – the alliance of the largest and representative IT training partners in Europe. Also, as a share in turnover, the exports have reached at 10% (percent in growth applied to an increasing amount). As a result of these efforts, the company has been included in FT1000 - Europe's Fastest Growing Companies, a top which includes European companies that had significant increases in the recent years of activity. Bittnet has been selected from over 50.000 companies which have been contacted to join this ranking.

I am pleased to inform you about a part of the company's accomplishments of this year:

We consolidated the management structure, the organization chart and the processes which will help sustain the growth for the next years. In parallel we significantly increased the sales force and

the support roles for it - activity that will continue in 2017. In 2016 we have brought 4 new colleagues in sales team (1 in Bucharest, 3 in the regional offices).

The Cluj office has continued its positive evolution by attracting a second member in its team and by attracting a number of new clients, but also keeping customers from previous years. We are confident that the Cluj office activity will be also an ascending trend in 2017. We also started the activity in regional offices in Brasov and Sibiu by attracting 2 sales people with experience in the local markets. The result of their market development work will be seen in 2017, a year in which we intend to open 2 new offices in 2 other areas with not enough addressed potential at present.

We continued the creation of an operational fundament for scalability - standardization and integration of operations through modern IT instruments, which guarantee transparency, reduce errors, reduce costs and are scalable. The fact that we maintained all previous technical certifications but also expanded on them has led to obtaining significant new vendor certifications (the Cisco Gold Partner status, obtaining the Oracle Authorized Education Center status, obtaining the Bitdefender Gold Partner status). All these recognitions from third parties of our technical and sales expertise amount to endorsements of our top IT Integrator claim.

We have started a series of HR initiatives in order to introduce new benefits in the well-being area, to increase the engagement of the employees and to determinate a better interdepartmental collaboration. A few examples include a collaboration with a medical center for a complex membership addressed to all the employees and family members, organizing 2 team buildings of 2 days each (one in spring and the other one in fall), the introduction of an intermediate level English course, over 5 months, for the colleagues who want to improve their actual level, and organizing a "Bittnet Awards Ceremony", before the Christmas party, as a new element in our company culture, through which we have officially expressed our appreciation for the positive components encouraged in the team.

Moreover, during May-June 2016 we developed the "Bittnet Marathon" project, in collaboration with an organizational development company, Equatorial, through which we aimed to increase

the interaction between colleagues and the engagement, by all kinds of individual and team missions to challenge our colleagues. Another well-being benefit was the participation of our colleagues at the main marathons of the year, a perpetuated tradition over the years, and which will reach new heights in 2017.

We implemented a new mobile-optimized, "responsive" website in order to further benefit of the good ranking in the Google charts, but also to "open doors" for a year with many online campaigns – a focus area for 2017. Moreover, in the continuous integration process of IT tools and systems, the new website is integrated with the customer relationship management (CRM), the website visitors' interest being automatically "captured" as opportunities in CRM (therefore entering in the standard sales process, followed by the sales team).

Perhaps the most important accomplishment is that all these financial and operational achievements took place in a volatile business environment, due to several political and macroeconomic changes, including the fluctuation on the Romanian labor market (for our clients and partners alike). In such an environment prudence when deciding acquisitions has also characterized private owned companies, which represented our target in 2016. The political events from Romania and EU/USA have influenced the investment decisions in the second part of the year, fact that has influenced a part of this year's business, and we expect that this impact will be also seen in 2017.

We intend to continue our organizational development strategy in the perspective of 2017-2018, given that the identified growth factors have confirmed it in 2016. We will continue to focus on important projects, paying close attention to delivering gross profitability of each project, and the overall decision aims long-term growth at the expense of short-term successes.

We think that for 2017, the trends that were identified in the past two years - cloud, cybersecurity,

virtualization and datacenter will continue to be the source of business growth. We intend to focus our efforts and resources on achieving the position of the most relevant IT partner in these areas. We commit to do so through consolidating our one-stop-shop position, which guarantees our IT training market leader position as well as in the integration services business where we will focus on services with high added value - consultancy and cloud migration, information security solutions and offering IT services through a “managed services” approach.

Both business lines, training, and integration and cloud migration have reported revenue and profitability growth, a detailed analysis being presented below. In 2017 we will continue the same pattern of sustained growth which proved successful in the past 5 years – starting from the promise made at Venture Connect in November 2011 (<https://goo.gl/tvldOX>). We promised back then an “8 times growth over 5 years”. If we analyse revenues, the growth versus 2011 is 6 times, but, more importantly, the financial and operational model employed has led to a growth of profits of more than 70 times versus 2011.

We still believe that the Romanian (and global) IT market must go through a process of consolidation, and we will pursue such consolidation opportunities, if they prove to be consistent with the model and company’s values. In 2016 we did not identify such significant acquisition opportunities, but in 2017 the situation has changed, and that is why we propose to the General

Shareholders an acquisition which will double the turnover of the Company, will 6 times increase the client base, including significant contract with guaranteed annual recurrence and will generate many opportunities for sales growth.

The Bittnet attitude

On the local market Bittnet managed to differentiate itself through the attitude with which it addresses every new situation. This attitude is based on the values and principles that the employees of the company share, or, better said, the organizational culture is what defines our general business conduit.

Objectively speaking, this attitude means that we have a general desire to “deliver what we promised on time” rigorously respecting the promises made to our clients.

Simply said: we make a promise and we keep it!

In the process of sales we offer our clients the following benefits:

- We are a **unique point of contact** for anything that represents an infrastructure or IT training project. (starting with understanding the need of the client and transposing that need into a tailored solution or a program, designing the solution to the smallest details, deliver as well as implementing and maintaining the solution for its entire life duration). The backbone of this statement is the continuous investment in the development of the technical team on as many complementary technologies from an important number of vendors and at the highest level of specialization. To use a phrase which we hear a lot from our clients: “You have the most competent technical team we had the pleasure of working with”.
- We are a “**trusted technical advisor**” because we are authorized and recommended by the most important and known IT vendors at an international level through “preferred” statuses which make proof that we can implement complex solutions.
- We are **easy to communicate with** because we are proactive, available and prompt in our answer from both a commercial and operational point of view, because we learned how important these things are in the success of the project, even if they are sometimes overlooked by others.
- We hold **relevant project management competencies** which allows us to tackle.
- seemingly complex projects by breaking them down into smaller components which we can easily and efficiently execute in such a way that the end result is a completely functional

solution that answers the customer's need.

- We are a group of **extremely flexible people** (which in time also became a criteria for hiring) and we are preoccupied with the success of our projects.
- We have **financial solutions tailored to all type of needs** of our clients (direct acquisition, operation and financial leasing, term of payment, commercial assurance etc.)
- We are an **entrepreneurial company** for which the Bittnet operational management is guaranteed by the majority stockholders, which is why the long-term interests of the company are the same with those of our clients. We have a long-term thinking in everything that we do. We wish to build an entity that will be present on the market even after 20 years and as such every action and decision that we make, takes into account the direct and indirect gains that we expect in the long run in prejudice of fast short-term gains.

The Bittnet attitude is a result of the values that makeup the organizational culture of the company and represents the acceptance of the reasons for which our clients choose Bittnet. The process of acceptance is based on the research of one of Bittnet's founders for the past 3 years, Mihai Logofatu. For more information on this subject please see subchapter 1.1.4 Marketing and PR activities. The fact that at the end of a fiscal year (in which we expanded and refreshed our team, both in the sales and in the technical area) we recorded a high rate of recurring customer, while being the year with the highest number of actual customers sought - 100. This makes us confident that the values that the company has built its success so far are solid and real, recognizable to any team member. 2016 sounds good!

Analysis of the activity of Bittnet Systems SA (The Company)

Specification of the date of establishment of the company

Bittnet was founded in 2007 by Mihai and Cristian Logofatu keeping on the success story of a young and enthusiastic team of IT professionals that they started working together between 2000 and 2004, giving students and pupils Microsoft and Cisco Networking courses at an academy level.

The Company is recorded in the Trade Register, no. J40/3752/2007. In February 2009 the Company was transformed in a joint stock company after an increase in share capital using profits generated in 2008. In 2012, Bittnet had achieved a new capital infusion by a "Business -Angel" action from Mr. Razvan Căpățînă. In 2015, the company attracted a new infusion of capital from a Polish investment fund, Carpathia Capital SA and realized the IPO on

Bucharest Stock Exchange (AeRO segment) and became listed under the stock symbol BNET, this way becoming the first IT Romanian company listed on The Stock Exchange, with a number of 4,504,383 common shares.

During 2016, by incorporating the previous years' profits as free shares, the company increased the number of shares to 13,513,149.

Since the beginning, the company was focused on delivering IT training and IT services and IT infrastructure solutions integrator activity, based on the technology market leaders such as Cisco, Microsoft, Dell, Oracle, HP, VMware, Google, Amazon Web Services, etc.

Beginning with 2015 the company has identified a new global technological trend regarding the companies' IT infrastructures migration from their own data centers to public cloud providers such as AWS, Azure and Google. The Romanian market seeks global trends with a 2-3 years delay, but in the present case just in the last year we have identified plenty of opportunities to have the conviction that during 2017-2019 the demand of such services will also explode in Romania.

This way we have created a new area of competence and a new consulting and cloud migration service category, and we started to attract customers only for this range of services, clients who have a partial different profile than the traditional profile for the other range of services. In 2016 we have completed 3 full cloud migration projects of the companies' infrastructures (2Parale, Equatorial and Getfit Shop), this way being among "first movers".

Description of the main activity of the company

IT Training

- Bittnet is the IT training market leader from Romania, with a continuously growing team, with more than 15 years of experience and over 15.000 trained students. Throughout these years Bittnet has delivered more than 50.000 hours of IT training. The company has the largest team of trainers in Romania which assures the conservation of its competitive advantage relative to its competition. Moreover, we are in a continuous process of recruiting and development of new talents and resources.
- Bittnet offers a wide range of IT courses. Each course can be held in two flexible ways: intensive (5 days/week, for 8 hours/day) or in a mixed format (courses of 2/4/6 hours depending on the client's needs). Each student receives access to a set of dedicated equipment, the official curriculum as well as online and offline exams.
- The largest portfolio on the market: the training portfolio holds over 1500 courses. From this portfolio the most important trainings are for the major vendors: Cisco, Microsoft, Microsoft Office, Amazon Web Services, ITIL, Linux, VMware, Oracle, Citrix, IBM, Adobe, Avaya, Dell - SonicWall, EMC, HP, Juniper. The business training portfolio holds project management, ITIL & IT services management, business intelligence, C-M, E-P, Agile etc. Being able to deliver training in both English and Romanian, the company operates in a strategic partnership with

Global Knowledge, the worldwide leader in IT training.

- Starting with 2016, Bittnet has joined the largest association of Microsoft training partners – LLPA, which allows us to strongly expand both export earnings and delivery of courses in any language anywhere in Europe.
- Also, beginning with 2016, by modifying the education program of the American company Oracle – change that means Oracle has effectively closed the training division, and some of the partners that previously could only resell Oracle courses received authorization to fully deliver these courses (trainers and own location), benefiting from Oracle's sales team for training. If we follow the tested examples by Microsoft and ITIL (types of services that Bittnet was initially reselling them, and afterwards started to internally provide them), we estimate that the position 1 of 2 companies which can deliver Oracle authorized courses in Romania is favorable, not only estimating for 2017 an increase in the number of participants, but also a significant growth of the profitability of this segment.

IT solutions:

As a business integrator, Bittnet offers solutions and services that our customers need from initial analysis phase of design, implementation and testing resulting in turnkey projects. We are providing this for companies with different needs in terms of IT:

- Network infrastructure (routing, switching, Wi-Fi, optimization, consulting)
- Cybersecurity (network security, security for data center, security for customers devices, IPS, Advanced Malware Protection, Next Generation Firewall, security for email and web)
- Network management (alarm and monitoring, centralized management, traffic analysis)
- Migration and cloud services (private, public and hybrid cloud, switch from one version to another, migration and relocation step by step)
- Virtualization and data center (computing, storage, networking, backup, virtualization platforms, VDI)
- Employee's mobility including Bring Your Own Device – BYOD
- General consultancy (IP, DECT phones, instant messaging, online presence, web conferencing tools)
- Video conferencing, including telepresence (for desktops, administrative hall, conference rooms, smartphones, tablets, notebooks and workstations, integration with smartboards)
- Software licenses (Microsoft, Adobe, Cisco, Bitdefender, Dell, VMware, Veeam)
- General consulting
- Maintenance and support services
- Customized, hands-on IT Training for specific solutions

Bittnet is able to provide its customers cloud-based services:

- Amazon Web Services
- Microsoft Office 365
- Microsoft cloud provisioning (Azure)
- Cisco cloud infrastructure (Meraki)
- Video conferencing cloud (Webex)
- Cisco cloud infrastructure for video-conferences and filesharing (Spark)
- Web security cloud (ScanSafe)
- Cisco Cloud Energy Management (Cisco EnergyWise)
- Google Apps

Bittnet's competencies are certified at the highest level and acknowledged by the market leaders.

The Company's certifications include:

- Cisco Certified Gold Partner
- Cisco Learning Partner
- Cisco Advanced Collaboration Architecture Specialization
- Cisco Advanced Data Center Architecture Specialization
- Cisco Advanced Enterprise Networks Architecture Specialization
- Cisco Advanced Security Architecture Specialization
- Cisco Education Qualified – Advanced Routing and Switching
- Cisco Education Qualified – Advanced Security
- Cisco Academy Network Partner
- Cisco Certified Refurbished Equipment
- Cisco TelePresence Video SMB Program
- Microsoft Silver Learning Partner
- Microsoft Cloud Partner
- Microsoft Silver Datacenter Partner
- Amazon Web Services Partner
- Amazon Web Services Consulting Partner
- Accredited ITIL® Training Organization
- Citrix Silver Solution Advisor
- Citrix Authorized Learning Center
- Dell Preferred Partner
- Dell SonicWall Silver Partner
- Dell SonicWall Authorized Training Partner
- Oracle Silver Partner
- Oracle Approved Education Center
- VMWare Professional Solution Provider
- Google Apps Authorized Reseller
- Jabra Registered Partner
- Veeam System Integrator
- Bitdefender Gold Partner
- IBM Training Provider - via Global Knowledge
- Member of LLPA – Leading Learning Partner Association since 19th of July 2016

Description of any fusion or significant re-organization of the commercial society, own branches or those of the owned society, during the financial exercise.

The Company does not have any branches, does not hold parts or shares in other commercial entities. The Company did not go through any fusion, acquisition or re-organization in 2016.

Description of acquisition and/or alienation of assets.

During 2016 Bittnet has acquired immaterial assets worth 87,781.79 RON. This has to do with the finalization and launch of a new website and a content course sale license specific to the IT domain.

Once with the launch of the new website of the company, which now is optimized for mobile devices, and in terms of SEO, it's easier to use from the admin interface and to be populated with content and of course, it's responsive to all devices. The fact that the speed of information loading has considerably increased, as well as the speed of finding the information on the website by a simple use of the search button, must not be ignored.

Apart from these items related to the operating speed and the way the pages from the Bittnet website are displayed, some new features with which it comes must be mentioned:

- Displaying the course schedule in a dedicated page and the possibility to filter information according to criteria relevant to the seeker;
- Displaying the career opportunities and the possibility to apply directly from the website;
- The possibility to register to the required courses, or, as needed, to get a quote, or to register by using earning credits.
- The possibility to test your knowledge by accessing a level course test. This has the meaning to show you if you need the course (if you have or not have the required knowledge for that level);

One of the significant operational advantages brought by the new website is that once a form from the pages is filled, the information auto-populates associate fields in the CRM Microsoft

Dynamics platform, generating automatically a new lead and when it happens it notifies the marketing team. Also automatized is the acquisition of personal details of those who want to subscribe to the company's newsletter, in order to be up to date with Bittnet's products, services and promotions.

During the year 2014 Bittnet decided to migrate to a customer management system (CRM - Customer Relationship Manager) offered by the American company Microsoft, called Dynamics CRM Online. The migration was chosen based on the TCO (total cost of ownership) analysis – which proved to favor the Dynamics CRM online system compared to the Salesforce.com one. This decision continues to bring dividends, because the Dynamics CRM online system allowed us to implement multiple functionalities which can proactively assist the sales processes. As proof, the new website is integrated with the CRM system, so the questions and the shown interest by visitors on the website are translated into concrete actions and activities of sales, in automating processes.

During the financial year 2016 no assets were alienated.

1.1. General evaluation elements

- + 37% of total revenues vs 2015
- 2 x EBIT versus 2015

The financial results of the company confirm the management's approach to running the company given the specifics of the business. We are in a knowledge business, which requires a great team of professionals, both on the sales, operations and technical implementation sides. This approach leads to a relatively high fixed costs structure.

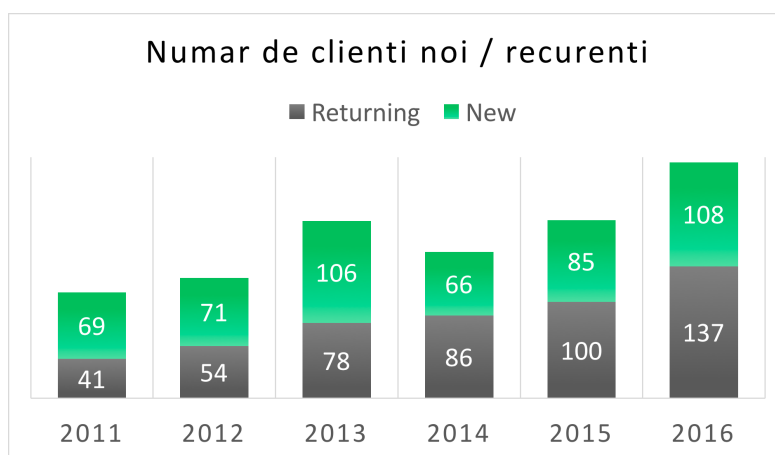
However, after the gross margin generated by the business surpasses the fixed costs threshold, most of the new gross margin generated instantly becomes profits. That is why the company has been successfully pursuing the 'high growth' model. In 2016, compared with 2015, a 36% increase in total revenues (given similar gross margin percentage) had resulted in a much faster increase in operational profits, as expected. The numbers below are expressed in RON, thousands:

	2015	2016	FY16 / FY15
Turnover	9,992	13,695	37%
Integrare IT	6,950	8,251	19%
Training IT	3,690	5,405	46%
Total costs	10,100	12,466	23%
Mărfuri	5,149	4,959	-4%
COGS Training	1,160	2,151	85%
Dobânzi	173	328	90%
Amortizarea	153	114	-25%
Profit din exploatare	742	1,713	131%
Financial profit	479	-330	-169%
Gross profit	1,221	1,383	13%
Shares	4,504,383	13,513,149	
EPS	27.10 bani	10.23 Bani	
Diluted EPS*	27.10 bani	9.53 Bani	

*diluted EPS takes into account the capital increase with cash contributions completed between the ending of fiscal year 2016 and the date of this report

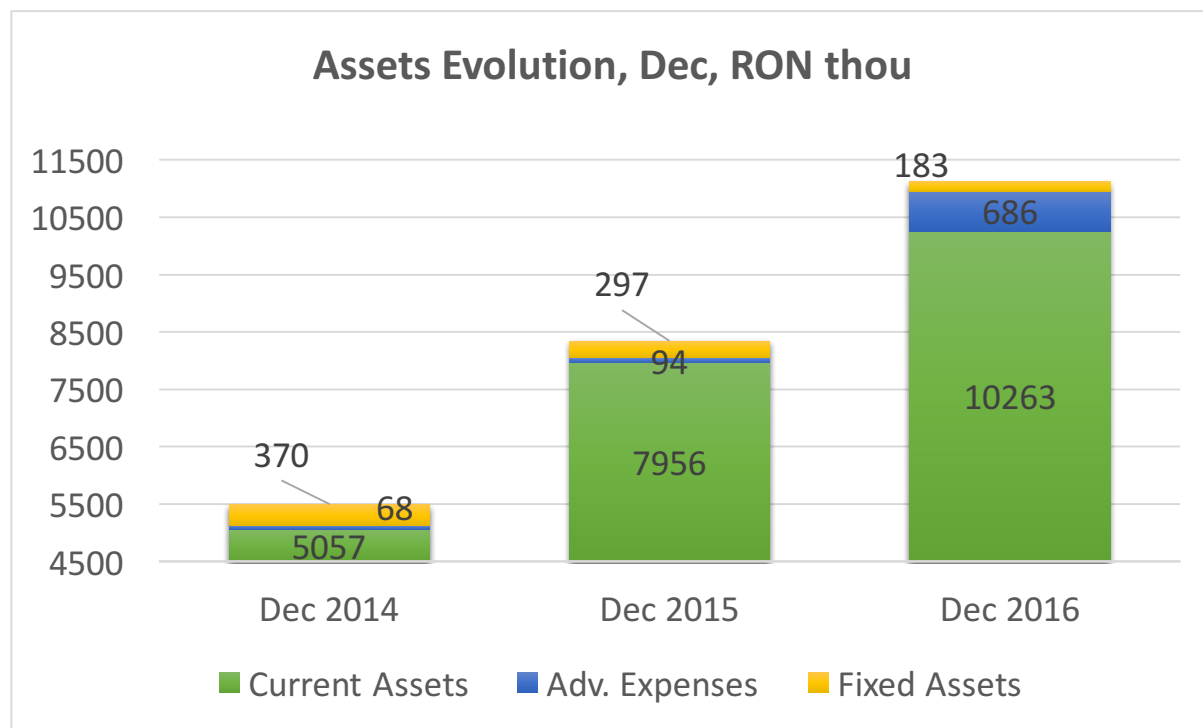
About 60% (RON 8.25m) of the revenues were from the first business line, namely IT solutions, implementation and consulting services, while the remaining 40% (RON 5.4m) were given to the second business line – IT Training.

Compared with the last year, the training revenue growth was obviously more accelerated, which lead to a change of the business lines revenue shares in total. Additionally, another phenomenon has contributed to this evolution and these results: the company concentrating on cloud migration - as an identified technological trend and a domain where we are first movers – naturally lead to the hardware revenue decrease (with low gross margins, but high income) in favour of integration services (consultancy, migration, installation, etc.) – the “IT Integration” revenue business line to grow slowly, even if the situation was more fortunate compared to 2015 due to improved gross margins.



The Company recognized a positive trend of a growing number of returning customers, whose count in 2016 was the highest to this day, reach 137 clients: the highest number in the Company's. Returning customers' ratio in revenues amounted to 55% in 2016.

Operating profit (EBIT) for 2015 reached the level of 1.69 million RON, an improvement of 127%. With depreciation and amortization amounting to RON 114k, the value of EBITDA was RON 1.8 million RON, double compared to 2015. In 2015 the net income had a value of 1,033m RON, the company also benefiting from financial income from the disposal of shares in the listing process, worth 632k RON. Instead, in 2016, the net profit was 1.16 million RON (an increase of 13% in absolute terms), but without this net profit to benefit of the one-time "help" from the financial result of the sale of shares in the listing process. This way, we can speak about doubling the company's profitability and the best result in the Company's history.



Total assets stood at RON 11 million at the end of 2016, a 33% increase over 2015. As usual, current assets are most of the assets (92% - 10 million RON), made of 7.5 mil in receivables, and 2.35 mil in cash. Fixed assets stood at 183 thousand RON and advance expenditures stood at 686 thousand lei (which also explains the decrease in cash versus 2015).

Shareholder capital increased 60% compared to 2015, up to 3.08 million RON, as a result of an increase of paid-in capital, of retained earnings and a profit for the year 2016. We also mention that the operation of capital increase with new contributions, approved by shareholders during 2016 was carried through (underwriting grade of 100%) in the first quarter of this year (2017) - and registered by the Trade Register, ASF and the Central Depository.

Other liabilities include current debts (3.69 million - a decrease of 34% compared to 2015), long-term debt (4.35 thousand RON, a significant increase compared to 2015, due to the success of the issuance of corporate bonds).

Profit and loss account [RON]	2013	2014	2015	2016
Turnover	6 666 337	8 179 532	11 269 853	13 849 151
Operating expenses	6 476 894	7 960 691	9 814 813	12 034 505
Operating result	341 545	373 195	742 357	1 713 519
Financial result	(130 098)	(104 083)	479 111	(330 569)
Gross result	211 447	269 112	1 221 468	1 382 950
Net result	169 278	209 672	1 033 833	1 180 277

An important aspect of our evolution in 2016 was the successful continuation of the transition to regional development and cooperation across the borders of Romania. This way, beginning with 2016 we have a dedicated role of Inside Sales representative for Western Europe, respectively joining the LLPA (<http://thellpa.com>) – the alliance of the largest and representative IT training partners in Europe.

Also, as a percentage of turnover, exports reached 10% (growing percentage applied on an increasing amount) - compared with 4.7% in 2015. In 2017 we will continue to target the western IT training market, as well as integration services projects market (consultancy, audit, IT solutions installation), because the competitive advantages which Romania has on the global market are relevant in Bittent's case. We refer to a quality of the human resource at a level which not supports a doubt, combined with a difference still significant in costs compared with the western environments.

Market Share

- market leader in IT training
- returning clients: 57%
- 10% export of IT services

The Company operates in two major segments of the IT market: IT training and integration of IT solutions. Due to the lack of independent reports regarding the IT training market in Romania the Company relies on own estimates for its share in the market.

The Company has the widest and deepest coverage in the training market by having expert unique resources. The Company sees itself as an IT training market leader and justifies it by:

- Competing in the most training market segments
- Not competing with the same competitors in more than 2 market segments
- Being either the market leader or the second largest provider in each market segment.
- There are market segments where there are no competitors (e.g. Amazon Web Services training partner)

When focusing the attention on the integration market (IT professional services), the very diversified range of services of the Issuer makes it impossible to determine percentages of market share. According to the "Software and IT Services in Romania" study, realized 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 3.08 billion euro in 2015 (with 25% more than in 2014), this being estimated for 2016 at 3.6 billion euro (an increase of 17% compared to 2015).

“Regarding the internal market, it had a shy growth, of only 4% in 2015, reaching to 991 million euro, its percentage being 33% of the total figure of the sector. For 2016 it is show an estimated increase of only 4.6% compared with the previous year. These figures do nothing but highlight a still low consumption technology, comparing the potential and estimated needs internally, both in the public and private sectors.”

Considering the estimation of the total IT market (internal market and outsourcing services) of almost 1 billion euro in 2016, the company's market share in the IT solution integration (hardware, software and services) segment is insignificant, registering a value of less than 1%.

It should be kept in mind that this analysis is based on estimates of the IT market which include the buying of equipment such as PCs, tablets, mobile phones, printers etc. by both the population as well as companies.

1.2. Evaluation of the company's technical expertise

The main outlet in 2016 for Bittnet's products and services has been, similar to previous years, Romania, with a share of 90% of revenues from clients within the country's borders. The share of 10% of revenues from foreign clients shows a doubled increase compared to 2015, when the registered value was of 4.7%. In 2016 revenues from “exports” come from renting the services and delivering effective training for clients from the EU.

The main distribution method is through direct sales through the sales team but in the future, based on the efforts from the end of 2016, we expect that 20% of revenues from IT training to be generated through the website. Each member of the sales team is given a portfolio of clients. A series of proactive actions of positioning Bittnet's solutions and services has been made in order to obtain this portfolio.

Another relevant share in total revenues is due to our strategic partnerships with key players on the IT market which can be seen as competitors but through which we managed to deliver services to their customers. The general attitude of the company through total transparency, fairness and respect for promises made to these partners has led to a natural, organic growth of business volumes attained with the help of these partners and as such we are confident in stating that in the years to come the number and models of strategic partnerships will

represent an important growth pylon.

Description of the main products manufactured and/or services rendered by mentioning:

- key projects for customers
- coverage of the entire IT services
- certifications at the highest level

Network infrastructure

Network infrastructure refers to the hardware and software resources of an entire network that enables network connectivity, communication, operations and management of an enterprise network. Network infrastructure provides the communication path and services between users, processes, applications, services and external networks/the Internet.

Infrastructure is found in all enterprise IT environments. The entire network infrastructure is interconnected, and can be used for internal communications, external communications or both. A typical network infrastructure includes Hardware (routers, switches, wireless access points, cables) and Software (operations and management, operating systems, firewall, security applications, antivirus).

Network security

Securing a network is an ongoing process due to the evolution and spread of the informatics attacks from both inside and outside. Inside attacks are not always intentioned, they can be made unconsciously by exploiting the vulnerability of a network. It is important to have a network security policy and the security should be integrated with all devices in the network.

Security solutions focus on what happens before an attack and during an attack, and on what measures will be taken after the attack. As attackers and hackers become more sophisticated, it's no longer about preventing a known attack. The focus has shifted to detecting and responding to new, previously unknown types of attack.

The Company offers the following network security solutions:

- Firewalls
- Sensors for detection and prevention of attacks
- Anti-spam and antivirus
- Data Loss Prevention (DLP)
- Sandbox systems
- Virtual Private Network solutions
- Network Access Control
- Security management

Network Management solutions

Functions that are performed as part of network management include controlling, planning, allocating, deploying, coordinating, and monitoring the resources of a network, predetermined traffic routing to support load balancing, cryptographic key distribution authorization, configuration management, fault management, security management, performance management, bandwidth management, route analytics and accounting management.

Data for network management is collected through several mechanisms, including agents installed on infrastructure, synthetic monitoring that simulates transactions, logs of activity, sniffers and real user monitoring. In the past network management mainly consisted of monitoring whether devices were up or down; today performance management has become a crucial part of the IT team's role which brings about a host of challenges — especially for global organizations.

Data center, virtualization and cloud computing

Virtualization provides IT organizations with a significant opportunity to improve management and automation across the data center. As IT organizations face growing business demands and budget pressures, automating labor-intensive, human tasks offers an ability to "do more with less" and increase the productivity of existing staff.

Data center solutions involve virtualization (the use of a *host* software, which creates a simulated computer environment, a *virtual machine*, for its *guest* software) in order to offer flexibility (the ability to relocate virtual machines from one hardware to another, as well as the ability to easily increase or decrease hardware resources available to a virtual server), the ability to easily provision new virtual servers (without the need for hardware purchases).

Cloud computing (and the migration to the cloud) means using the infrastructure (physical and logical) needed for virtualizing servers from a specialized provider, across the internet. This differs from the original idea of own datacenter / data room (private cloud) in that the platform is owned by a third party, and the customer only uses the functionalities.

The company offers consulting, design, implementation and maintenance services related to building and operating virtualized server solutions, own datacenters and migrating to cloud solutions.

During 2016 we have realized several reference projects in the area of cloud migration, providing our customers a significant competitive advantage: automatically a scalable IT infrastructure, with continuously adapted production cost (income). We consider that in 2017 this trend will accelerate and will help us to take advantage of *first-mover* place, which we have.

Enterprise mobility including BYOD

Mobility solutions allow employees to work using any compatible device, anytime from anywhere, with maximum security. Thus client's business is flexible and easily adapts to changes.

Mobility solutions including:

- Wireless networks
- IP SoftPhones
- Virtual Private Network Access
- Teleworker

"Bring your own device" – BYOD – is a concept that allows employees of companies to access company data and resources using hardware owned by the employees (PCs, laptops, mobile phones, tablets, etc.). This concept allows staff to do work related activities from anywhere, at any time, but, on the other hand, opens up security issues (data leakage). That is why companies deciding to implement such policies need the guidance and implementation services of experienced security consultants.

The company offers start-to-end consulting and implementation services for the above concepts.

Unified communication and collaboration

Unified communication (UC) is the integration of real-time, enterprise, communication services such as instant messaging (chat), presence information, voice (including IP telephony), mobility features (including extension mobility and single number reach), audio, web & video conferencing, fixed-mobile convergence (FMC), desktop sharing, data sharing (including web connected electronic interactive whiteboards), call control and speech recognition with non-real-time communication services such as unified messaging (integrated voicemail, e-mail, SMS and fax). UC is not necessarily a single product, but a set of products that provides a consistent unified user-interface and user-experience across multiple devices and media-types.

In its broadest sense, UC can encompass all forms of communication that are exchanged via a network to include other forms of communication such as Internet Protocol Television (IPTV) and digital signage communication as they become an integrated part of the network communication deployment and may be directed as one-to-one communication or broadcast communication from one to many.

UC allows an individual to send a message on one medium, and receive the same communication on another medium. For example, one can receive a voicemail message and choose to access it through email or a cell phone. If the sender is online according to the presence information and currently accepts calls, the response can be sent immediately through text chat or video call. Otherwise, it may be sent as a non-real-time message that can be accessed through a variety of media.

The company offers complete services and solutions in the Collaboration and Unified Communication fields. Examples include: setting up call-centers, with call recording, auto call forwarding, auto logging, etc. Other examples include setting up automated video-conferencing solutions that work as enterprise video-calls, using secure (encrypted) communication channels.

Software Licenses

The Company offers a wide range of software licenses from market leaders in their fields, covering the whole spectrum of computer programs:

- Operating systems (like Microsoft Windows 8 or Microsoft Windows Server)
- Database servers (Oracle software, Microsoft SQL server)
- Virtualization software (VMware, Microsoft Hyper-V)
- Productivity software (Microsoft Office)
- Sales automation software (Dynamics CRM software licenses)
- Cloud Software (Google Apps, Microsoft Office 365, Zoho productivity suite)

This is a classic business, with low gross margin, but which assures an “entrance” to the customers, a long relationship (presently most licenses are sold on an “annual subscription” model) and a chance to position the rest of the related services. Therefore, during 2017 we will follow an expansion of the customer base in this area.

IT Services

Consultancy services

Bittnet offers architecture (design), implementation and integration services covering the major ICT domains and delivery models to help customers plan and build IT solutions and optimize their IT environment.

The consulting services identify solution designs for integrating new technologies and optimizing customer’s current IT environment in line with their business development strategy. Bittnet has extensive architecture competencies, from network, communications, and datacenters to end-user computing, applications, service management, and security.

The consultancy services are staged processes that consist of the following steps:

Preparation

The first step in any IT infrastructure project is identifying business needs and the technologies to meet these needs.

Design

This step involves the assessment of the current situation and recommendations to accommodate new solutions. The Company is outlining the network architecture and if required will run a demonstration to test its functionality. Bittnet Systems also provides advice in choosing the best solutions to meet requirements both technically and financially.

Planning

The Company presents the detailed proposed solution, the equipment involved and configurations needed, together with an implementation plan and acceptance tests. Also in this stage Bittnet System works together with client to create an action plan with the activities and responsibilities of each party, milestones and deadlines of the project.

Implementation services

The implementation services consist of several stages listed below:

Installation, configuration, testing

This step involves equipment transportation, installation, configuration and testing. Everything is tested without being integrated in the existing infrastructure to avoid damages that may occur. After testing the system functionality, the client also should validate that the infrastructure is working properly. The next step is very important and is based on

information

gathered in previous steps – training for the IT staff.

Operating

The migration process to the new solution is gradual in order to reduce network downtime and minimize disruptions in the employees' work. At this stage the Company is continuously communicating with client's employees to ensure that continuous functioning of all services and applications is used by them.

Optimization

At this stage the new solution is implemented and verified if it works properly. Any solution implemented needs constant monitoring and maintenance to proactively identify faults that may occur. The Company is analyzing and optimizing various processes to increase client's employees' productivity. These enhancements are designed to adapt even more to the needs of client's network.

Maintenance and Support services

The Company's intervention team offers on-site and off-site support that includes equipment replacement, updating systems and fixing all problems covered by the support contract agreed. For all implementation projects done, Bittnet offers a support and maintenance option – which means that Bittnet guarantees the restoration of the initial functionality of the solution, using backup techniques.

Support services are typically recurring contracts, which offer customers the peace of mind that their network or IT systems functionality will survive any kind of situation. This means that Bittnet uses expert knowledge to react to changes in the customer's IT environment and re-establish the desired functionality, either by simple hardware replacement or by advanced policy and configuration restore operations.

IT training

In an economy driven by knowledge workers, educating and training of employees represents an investment towards achieving improved short-term performance as well as long-term success of the organization.

Human capital and intellectual property are the attributes that provide competitive differentiation for companies in all industries. The value of knowledge-based companies is far greater than the cumulative total of their tangible assets because it is understood that there is significant value in their gifted and highly-trained workforce and business practices, processes, and other intangible assets.

Bittnet Training services provide structured learning and development frameworks that start with the customers' business strategy to increase human capital value within the organization. Bittnet identifies training needs based on gaps between current skills and the desired standards for specific job roles that require realignment due to organizational changes, new IT applications or new service offerings.

Training road maps and prioritization are developed to optimize training budgets, to manage staff development and post training assessment with a clear measurement of performance improvement helps ensure a return on investment.

The Company offers a wide range of IT training courses. Each course can be carried out in two flexible forms: intensive (5 days/week with 8h/day) or blended mode (meetings of 2/4/6 hours as per client's request). Each course participant receives dedicated bundle equipment, access to official curriculum, online and offline examinations.

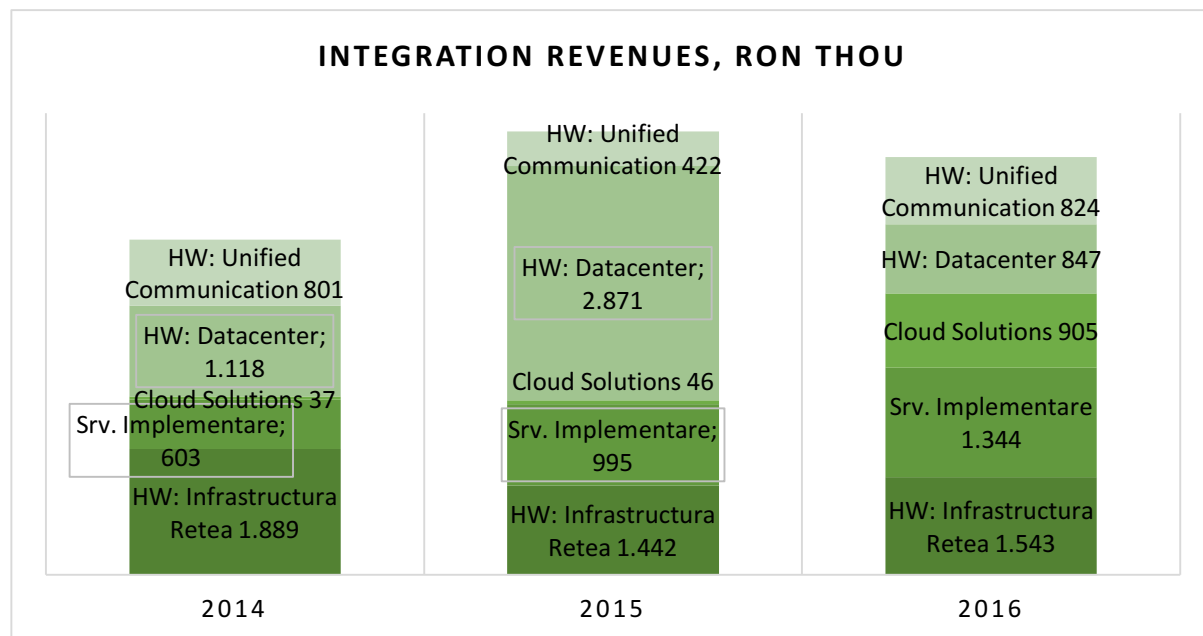
Largest portfolio on the market: the training portfolio contains more than 1500 courses. The core training portfolio is focused on Cisco, Microsoft, Microsoft Office, VMware, Linux, Oracle, Amazon Web Services, Citrix, IBM, ITIL, RedHat, Adobe, Avaya, EMC, HP, Juniper, SAP. The entire training portfolio covers numerous IT topics of interest like Microsoft Office (Excel, Word, etc), Linux, networking, programming, operating systems, cyber security, telephony, video, virtualization, data-center, data storage, databases, web design, etc.

The business skills training portfolio feature project management, ITIL & IT service management, business intelligence, CRM, ERP, Agile, etc. Being able to deliver courses both in Romanian and English language, the Company is working under a strategic partnership with Global Knowledge, the worldwide leader in IT and business skills training, and with the LLPA organization - the alliance of the largest and representative IT training partners in Europe.

The weight of each product or service type in the income and in the total company turnover for the last three years;

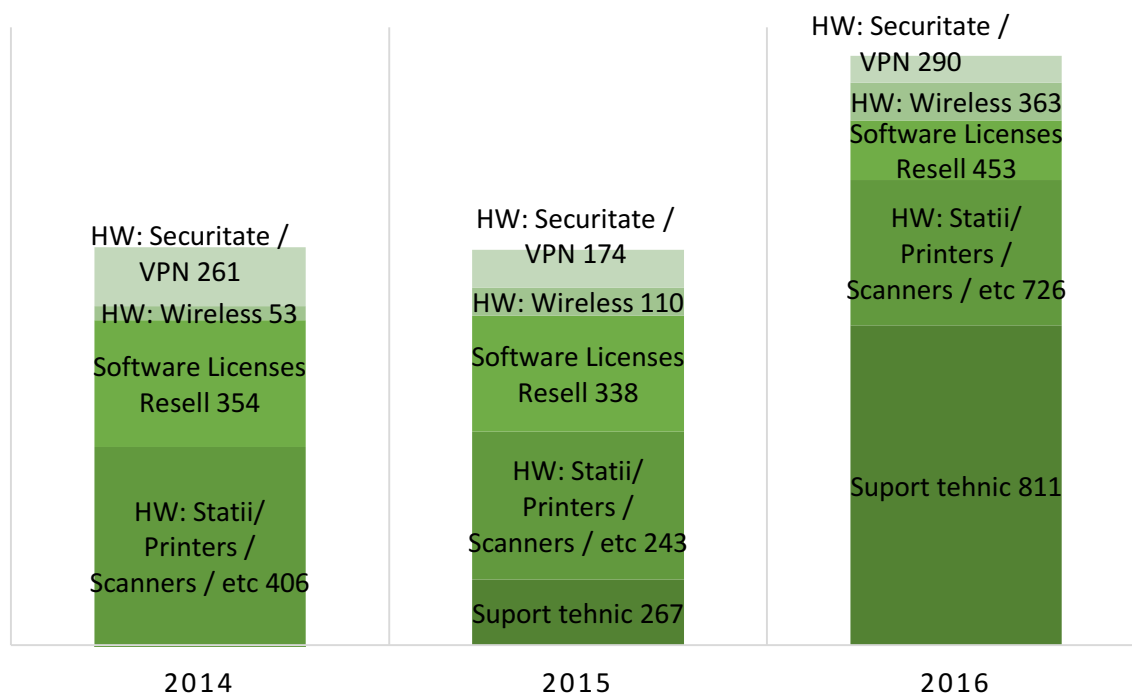
It is easy to imagine that the "IT solution integration" business line registers higher share in total turnover, due to its specific, which includes the delivery of goods (high turnover, small gross margin). Considering that this line of business includes revenues from cloud solutions, it is likely to rise further in an accelerated rate. On the other hand, the privileged place of IT training market leader and the company's continued focus on expanding the product portfolio of training gives hope to 'capture' more value from the IT training business. As a proof, in 2016, the "IT Training" business line has increased by 46% compared to 19% for integration.

Analysing more closely each business line we can notice the following evolution for the most important components.



And secondary products and services:

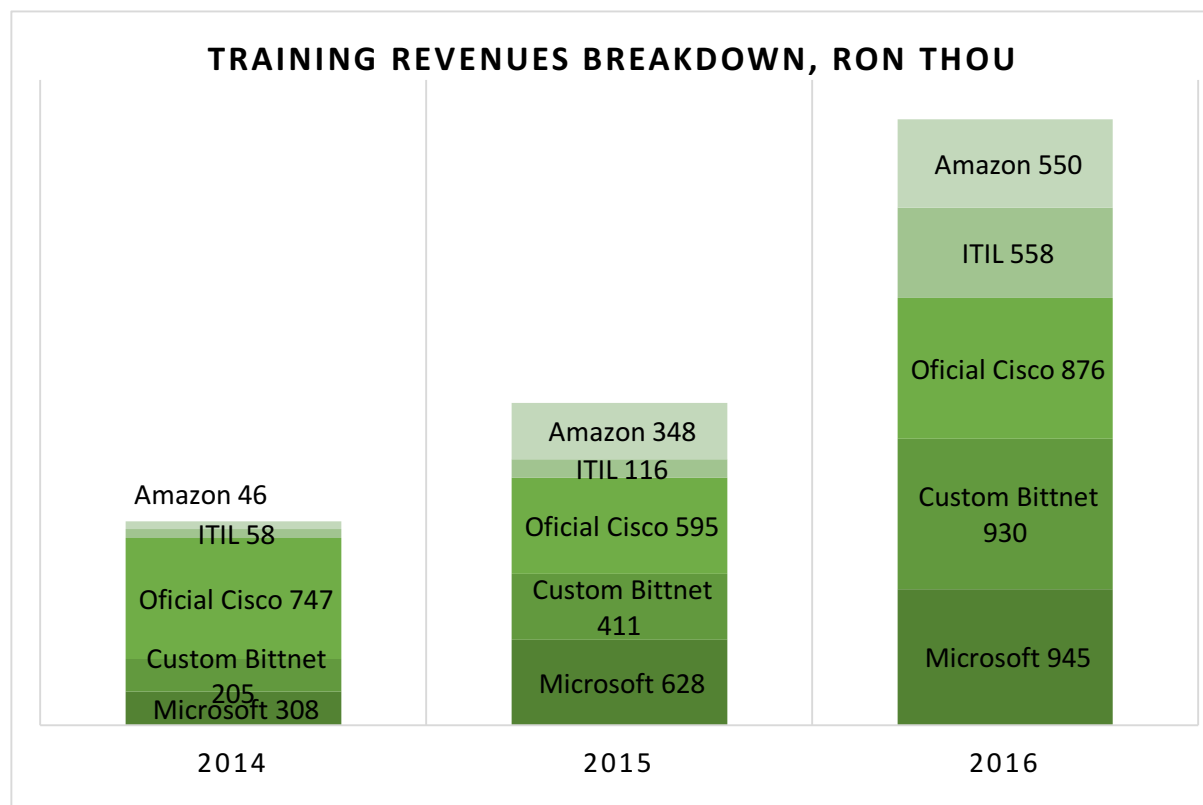
INTEGRATION REVENUES CONTINUED , RON THOU



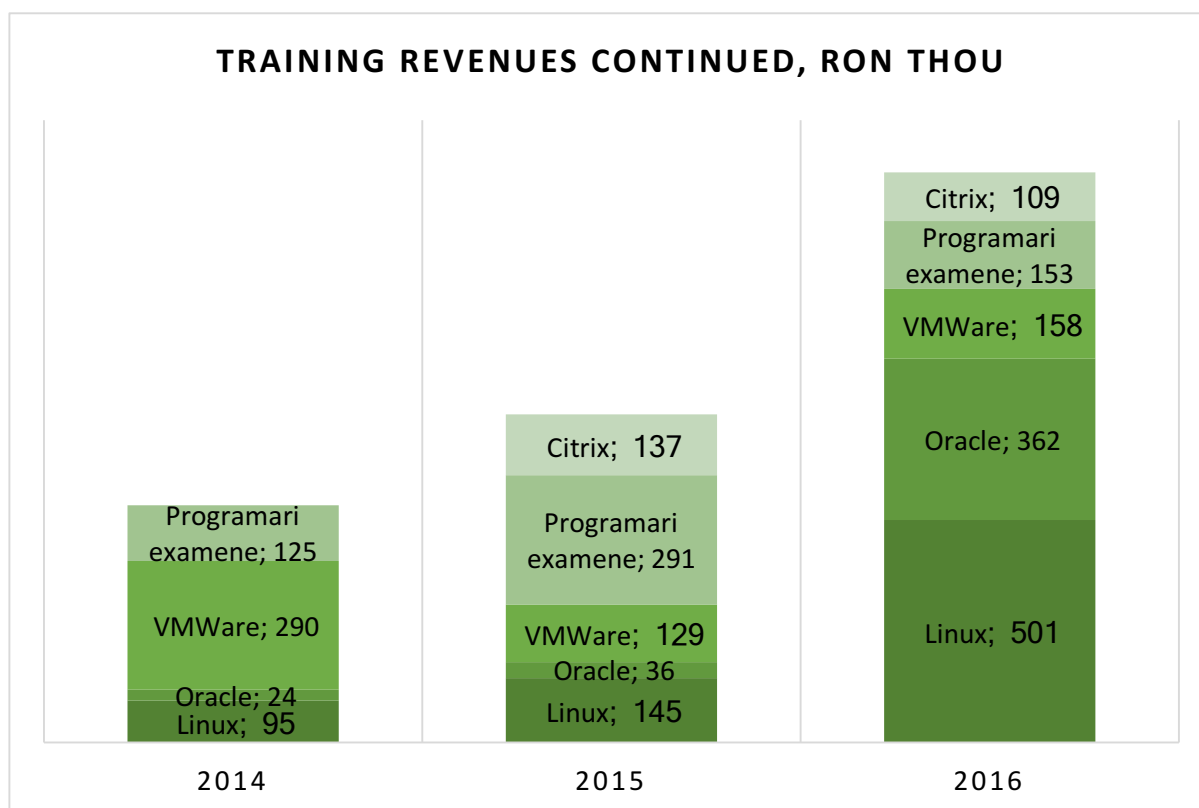
The main drivers of revenue growth, and profitability were:

Revenue type	2016 / 2015	2016 Revenue
Cloud	3494%	904,862
Extended Warranty services	394%	797,146
Wireless solutions	389%	362,984
ASA, Firewall, Ironport, SonicWall, etc.	322%	290,120
VoIP solutions	275%	372,162
Telepresence solutions	252%	452,021
Switching	139%	952,545
Software licenses	77%	452,918

IT training earnings



And for secondary products:



The main drivers of revenue growth were:

- Training ITIL: +479% compared to 2015 – and more profitable since we have obtained our own license. As we estimated at the moment of accessing our own license of ITIL training center, once seen as an own Bittnet product, this type of training significantly increased, both as income and profitability.
- Training Microsoft: + 50% compared to 2015. Important is that these increases are recorded especially in categories of Datacenter and Cloud-related training (training on management servers and cloud services like Office 365).
- Oracle training: +2433% compared to 2015 – this evolution of the Oracle training business live determined us to access the Oracle authorized training partner program – therefor the Company being 1 of 3 providers of this type of training. By “internally” taking the organization of Oracle trainings (compared with reselling organized trainings including until 2016) we estimate an another level of significant revenue growth, accelerated by an increase in profitability for this type of training.
- Training Linux: + 245% compared to 2015
- Also very important is the growth of the share of the subcategory "Custom" training versus the "Standard". This trend increased confidence of our partners in ability of Bittnet to be a "tailor-made" service in identified the real needs of their business . IT infrastructures our clients operate are heterogeneous, combining several technologies and vendors leading to non-standard training needs that we addressed better in 2016.

New products planned for a substantial amount of assets in the next financial year and the stage of development of these products:

- Cloud
- Cyber Security
- Hybrid IT

The company's developing plan includes the following pillars, which have as a component the adding of new products and services. Each new product that is added to the company's portfolio is a result of a specific demand from our clients. As such, there is no new product for which a substantial amount of resources will be allocated, each additional product is brought into our portfolio in a "breakeven condition".

- Strengthening the position of a leader of the IT Training market with intention of maintaining the perception of a 'one stop shop' provider of IT training, in which the client finds the portfolio of IT training courses through:
 - deepening the team's knowledge and ability in the areas that are already covered (being able to deliver more courses of the current vendors)
 - widening the team's knowledge in additional areas
 - adding new product lines
 - adding new delivery options
 - broadening the portfolio by adding end user trainings
- Continuous development and creation of strategic partnerships with companies of similar or complementary profiles, which open a potential 'reseller channel' and enable each party to provide supplementary services to their customers

Particularly for 2017, we believe that an important part of business growth will come from reselling and implementing solutions based on technologies like "Cloud", "IT Security" and "Managed Services". We intend to position Bittnet solutions, based on our constantly developing team skills, in these areas of great interest for 2017, providing both training for migration to cloud services, and effective implementations and consulting solutions. Computer security is an area in which we excelled at Bittnet, our skills are certified by multiple vendors for IT security industry like Cisco, Bitdefender, Checkpoint, etc. The solutions of "cloud" or "mobility" or "IoT" which are the technological trends of 2016 cannot be conceived without a serious component of IT security and

Bittnet is ready to support customers in this area.

1.3. Evaluation of the provision of technical and material resources (domestic and imports)

Specification of information about the safety of supply and commodity prices and sizes of raw material stocks.

- the strongest global suppliers
- non-dependence towards a single vendor
- not operate with inventory

For the IT solution integration business line, the company buys:

- IT equipment and licenses (hardware and software) – which are resold as merchandise to clients. The merchandise is bought from importers and distributors – companies with a physical presence in Romania. For none of the equipment or licenses is there a situation of “single importer” and as such there is no risk associated with having only one supplier. Bittnet keeps in touch with multiple distributors having significant business with each one.
- Course manuals and official virtual labs from several world wide external partners.
- Subcontracted services from partners be it companies or independent subcontractors (freelancers). There is no unique supplier here either, Bittnet working with several partners in each area of activity.
- All the aforementioned relations are based on partnerships with IT producers (Cisco, Microsoft, Oracle, Amazon Web Services, ITIL, VMWare, Dell, HP, etc.). These partnerships offer Bittnet access to the offer and discount systems of the producers and the distributors/importers “transfer” these price conditions from the producers. The relations with the IT solution producers are kept through periodical renewal of our company’s competencies and certifications. Each of these relations are important for Bittnet and each year we take the necessary actions to keep our status in relation with our partners.

The large majority of products and services which Bittnet offers and require a partnership with suppliers are not subject to price risks because the price lists of the majority of producers are posted for the duration of a year in advance and these companies are large enough and have the necessary processes to sustain the prices for an entire year. At the same time Bittnet places orders to its suppliers only based on the demand of the customer and as such the period in which the price can vary is very short (maximum of 1 day). Considering these two points we believe that the fluctuation in price of materials and resources is not a risk for the company.

The company does not operate with inventory, placing orders to suppliers only based on firm demands from the customer.

1.1.4. Evaluation of the sales activity

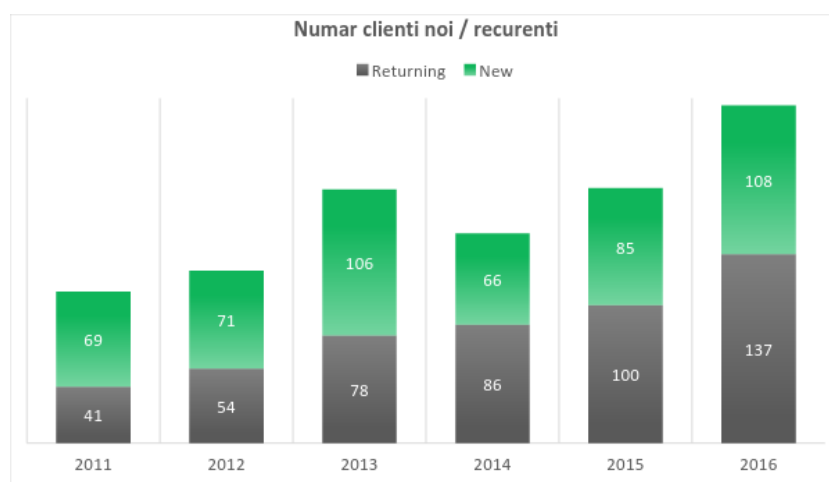
Description of the sales evolution on the domestic and/or international market and the medium and long term sales estimates

- turnover: + 37%
- number of clients: + 32%
- average invoice per customer: 12,450 euro

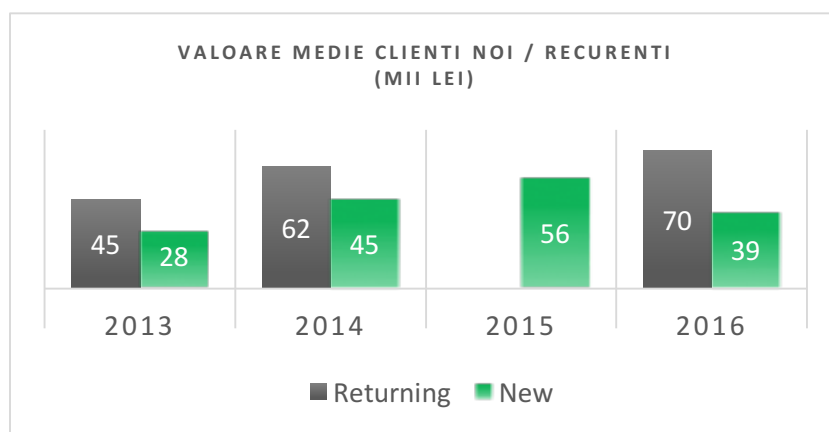
In 2016 sales continued their ascending evolution from previous years. Turnover has risen from almost 10 million RON to 13.6 million RON. During 2015 the turnover was the collaboration result with 185 clients, and in 2016 we grew up to 245 clients with whom we worked together.

The increase in turnover proves that the bonus method chosen at the beginning of the year was a correct one. The new formula placed more emphasis on the gross value of the client. The outcome was more focus on customers and projects with high potential of differentiation, where Bittnet can create and deliver added value.

The table below presents the number of customers served including a breakdown by new and returning customers. Since 2009 the count of returning customers is greater year by year which is a positive trend recognized by the Company, demonstrating the trust it was able to gain – resulting in increasing business repeatability which Bittnet anticipates for the following years.



The table below presents a breakdown of revenues by new and returning customers. The average value of a service provided to a returning customer amounted to 70.000 EUR compared to 39.000 EUR for a new customer. In 2015 these indicators registered values of 14.000 EUR and 56.000 EUR.



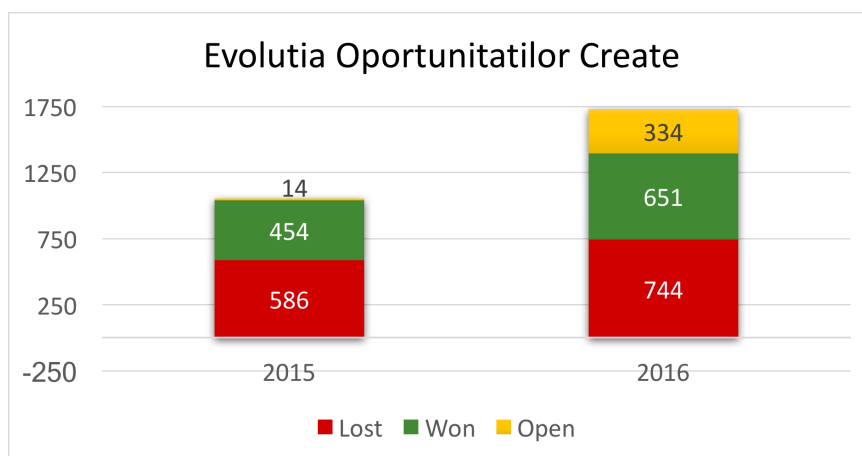
Source: Issuer

As in previous years the statement “Recurrent clients trust us more and therefore, on average, buy more than new clients” has proven to be true. From this point of view the company’s strategy remains unchanged: we focus on developing our relations with existing customers while dedicating time and resources to attract new clients, which we can then familiarize with Bittnet’s products and services so that they can become recurrent customers as well.

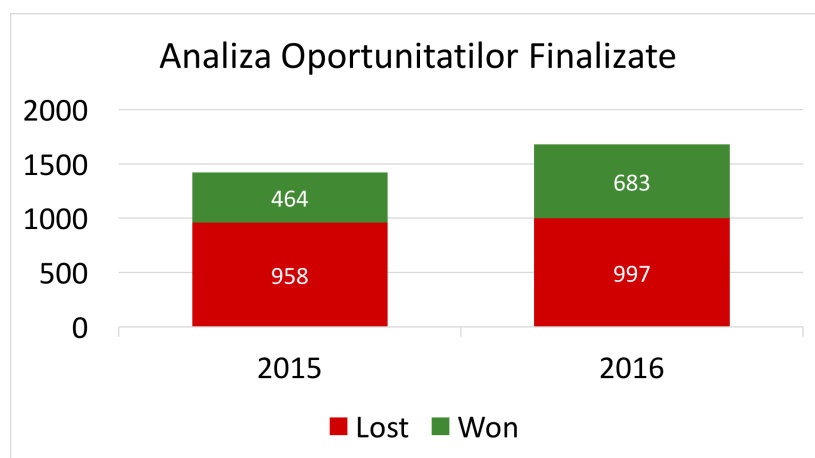
As such we can briefly explain the way in which we build the company’s sales activity: the Bittnet sales team is composed of in-house employees as well as reseller partners or middlemen (external legal entities). Because of the nature of the products and services delivered by Bittnet, our clients are in general small, medium and large companies. Over 90% of our clients fit the description “more than 5 million euro turnover and more than 100 employees”.

These companies are characterized by complex processes of acquisition, inter-department organization etc. In this situation the B2B sale activity is best handled by “individual” relations – the so called account manager. In other words the sales team (internal and external) address clients directly, presenting and positioning products and services to the relevant people in the acquisition process.

We continued to run the business for sale by the principles and methods that have brought positive results so far. As a result, the sales team improved the number of identified opportunities (“opened” in CRM) - an increase of 64%.



but most importantly, it has improved the won opportunities percentage - 40% of the identified opportunities are finalized with the signing of a contract.



As number, the total “won” opportunities has increased with almost 50%, compared to 2015.

The sale activity is supported by Marketing and PR activities which are designed to ease the beginning of a discussion between the client and the Bittnet salesperson. Marketing and PR activities

have to generate awareness in the IT market regarding Bittnet and it is an important tool for generating results. As such we also include a dedicated chapter in this report.

Marketing and PR

- we organized 3 B2B events, with more than 1,000 people (IT Training Fest, Awsome Day, Bittnet Partner's Day)
- we participated at biggest events organized by IT vendors such as Cisco Connect, AWS - ATP Council
- we generated 287 potential clients and \$ 145,000
- we launched a responsive and mobile-optimised website

The Marketing and PR actions carried out in 2016 were ample and had a big impact in the creation and consolidation of the Bittnet brand. The company carried out direct marketing campaigns as well as events that helped positioning of the company in the market, increase notoriety, attract new clients and finally generate leads.

The Business to Business model ("B2B") wherein we conduct our business is defined by products and services with a long sales cycle, which depends on the relationship that the sales team manages to establish with customers. In this context, the marketing department's role is to facilitate and improve the sales team activity in terms of identifying and addressing new customers. Furthermore, our marketing department through PR activities provides a better visibility of the company on the market, and makes efforts to position ourselves as „the first choice” when customers think of a trusted IT partner (both on training area and integration).

Participation and Organization of Events

To harness these efforts, in 2016 we organized and participated at some B2B events, all being addressed to IT professionals, like: IT Training Fest, AWSome Day, Cisco Connect, EuroCloud, IT Days, Gala GPeC, etc. These organizational and networking efforts led to the generation of a direct contact with over 1000 potential customers whom we approached later with the sales team and through lead generation campaigns. This is how the marketing department contributes to the continuous efforts of the company to diversify its portfolio. Through our presence at these events we ensure that current customers and prospects are aware of our portfolio of products, solutions and services, with our certifications and expertise which are in a continuous growing and developing.

Events are a main component in Bittnet's marketing strategy. These help us to have a better visibility on the market, to be closer to our customers, to get in contact with potential customers and, not least, to be present where the competition is or to organize our own events where the competition does not have access (in terms of visibility and access).

In 2016 we continued to organize our traditional event IT Training Fest which was held both in Bucharest and Cluj to support the regional office's activity. The events were at the 6th edition (in Bucharest) and the 4th edition (in Cluj) and brought together over 110 unique participants at those 28 hands-on IT training workshops which were held by Bittnet's trainers and collaborators. The event is highly appreciated by the experts of the industry because it is the only IT event through which participants have the opportunity to learn the practical aspects of the latest technologies on the market, from several vendors like: Cisco, Amazon Web Services, Microsoft, ITIL, Linux, Citrix, Bitdefender, PMP – Agile.

Throughout 2016 we organized in Romania, together with Amazon Web Services (AWS), the second edition of AWSome Day, an event that takes place in the largest cities over the world. It had a fabulous impact on IT specialists interested in cloud technologies, the event being attended by over 400 people coming from more than 130 companies.

Also, during 2016 Bittnet participated at Cisco Connect event as a Cisco Gold Partner, where we had a presentation intended for security services that we have presented to over 1000 people that took

place at the event. The feedback for our colleagues that presented the technical session is positive as they received an average of 4.82 points out of a maximum of 5 possible. Colleagues from the sales team were able to get into direct contact with about 300 people that attended the event.

Cloud technologies are a strength for Bittnet team, that has a number of AWS and Microsoft certifications which recommend us. These things make us think that we are a “Cloud First Mover” company. To exploit these resources and advantages, in addition to AWSome Day event, we took part at events like EuroCloud Forum, Gala GPeC and IT Days Cluj, events that targeted people who were interested in cloud services and solutions.

New Website

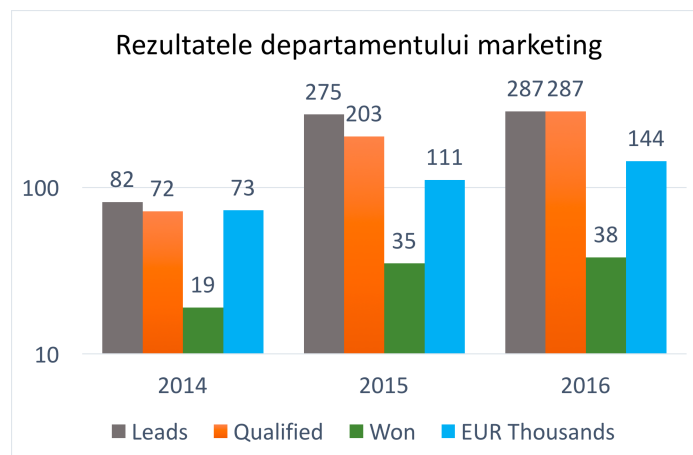
A significant effort was made in 2016 by our internal marketing team to launch the new website: correlations with developers (external resource) to be sure that the desired functionalities are working and fit with the initial design, creating pages and populating them with relevant content that corresponds with the company’s object of activity. Through the new website, Bittnet aims to provide to Internet users an easier, faster and more enjoyable experience than the previous interface. The new version comes with a big plus in terms of optimization for mobile devices, offering a similar experience as browsing from desktop and, this way, customers who are in a continuous motion can find very quick their needed information on our website with a simple search from smartphone. Of course, the goal of all these website’s improvements is to increase the customers’ and prospects’ interaction with the content that we are providing and, therefore, with the company.

Beside the marketing perspective, the new website has been moved to cloud, on the AWS platform, by Bittnet’s engineers. Therefore, we have become our own customer, and when we speak to our clients about these functionalities, on a basis we have our internal challenges.

With the launch of Bittnet’s new website we could notice an increase of the site performance indicators, so we can speak about:

- An increase by +14.47% of accessed sessions;
- An improve by +3.17% of new visitors;
- A rise by +46.08% of page views;
- An improvement by +27.61% of opened pages per session (an average of 2.9 pages opened by a user per session);
- An increase by +32.80% of average time per session spent by a user on our website
- A decrease by -11.93% of bounce rate
- A fall by -9.26% of the new sessions accessed by new users, which actually means that raised the number of people who returned on Bittnet’s website.

It should be taken into consideration, particularly, the fact that this growth of the indicators from the website are generated by organic traffic and by our internal marketing activity: newsletters, posts on social media, PR activities, events. We plan for 2017 an increased presence in online because it has managed in the last years to bring us not only an image benefit, but also figures for the sales team, that is why we will allocate human and financial effort to online marketing activities to generate new leads.



From the point of view of the contribution of the marketing team in the figures generated by the sales team in 2016, we have the following results generated through a marketing effort:

- A total number of 287 marketing leads (+4% vs 2015)
- 38 of the qualified opportunities were WON (+9% vs 2015)
- The total amount, in Euro, of won opportunities was 144 625 EUR versus 111. 212 EUR în 2015. This significant growth proves in fact the improvement of 'targeting of' marketing activity and the process of qualifying the leads into opportunities.

Beyond the numbers generation the department's main goal is to innovate, listen to customers and help the sales team address their needs, being proactive and flexible with the customer's requests.

IT Training Center - achievements

New vendors and renewals vendors:

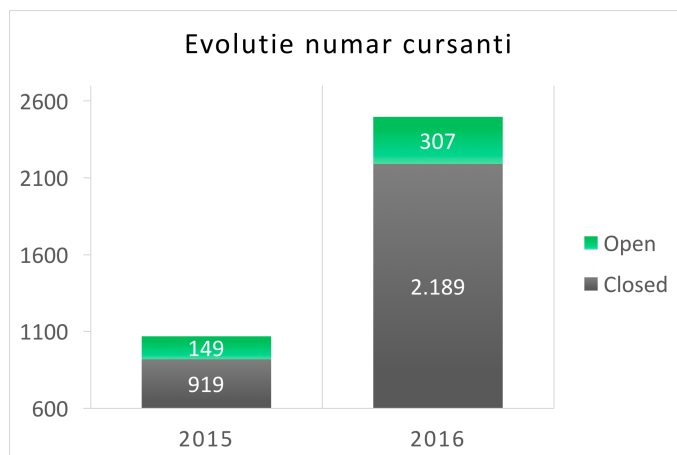
In 2016 we have renewed our partnership with: Microsoft, Amazon Web Services, Citrix, APMG and Cisco - therefore all partnerships with the vendors for which we do training are active.

In December 2016 has become an Oracle Authorized Education Center, this way we can deliver Oracle courses internally organized – in our classrooms, with our trainers. Beginning with the fact that in 2016 Oracle was a top 4 vendor, we estimate both numbers and increased profitability for 2017, due to the new way of Oracle training business.

Trained students - another reached milestone:

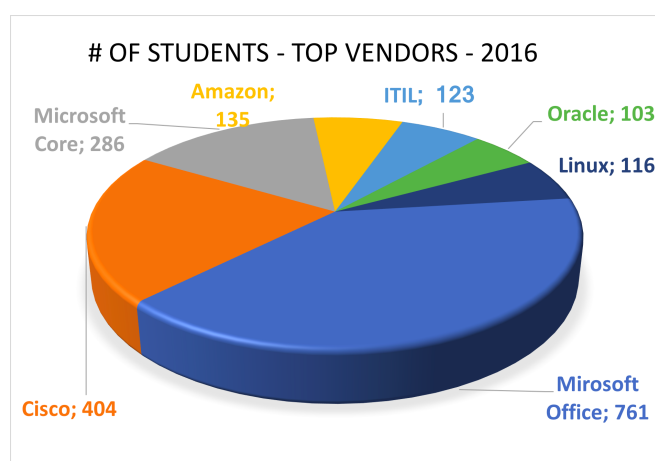
Perhaps the greatest achievement of the training department is that in 2016 there were over 60 open classes, each with more than 5 students in class. This indicator (the number of students in class) is one of the most important influences of profitability of the training business.

The total number of students in open-class doubled (307 in 2016 vs 149 in 2015), and the number of students in dedicated classes ('closed') increased by 138% from 919 to 2189.



Top vendors in the training activity

The most searched trainings (by number of participants) in 2016 were:



Premiers recorded in Romania

The Cloud training event - AWSome Day – in 2016 has recorded a double number of participants compared to 2015 – being Amazon's the most successful event of this type in Eastern Europe.

In 2016 Bittnet became part of the LLPA - Leading Learning Partners Association - a worldwide organization with 29 partners from 29 countries, who together generate 35% of the Microsoft training numbers in the region.

Business volumes obtained from the export of trainer in 2016 were almost double, increasing from 45.000 Euro in 2015 to 97.000 Euro in 2016.

IT implementation and support projects

Bittnet's technical team is both responsible for the consulting, integration projects and for the training projects. Through this mix we have the advantage of bringing experience from implementation projects during a training class, and reverse, the teacher profile of the technical people in the fazes of a project which implies interaction with the client.

Therefore, beside the IT training projects, in 2016 we managed to deliver:

- A number of 185 presales offers on different technologies – voice, data center, security, wireless, cloud. These offers have resulted from the visits to clients or as an answer to RFx requests.
- Over 100 visits to Bittnet's prospects and representative clients on the local market (Bucharest, Cluj, Timișoara, Oradea, Sibiu, Iași).

- Implementation of the first managed security services project.
- The first consulting, migration and support projects on AWS cloud technologies: the IT platforms of 2Performant, Equatorial, and other customers covered by confidentiality clauses, have been migrated to Amazon Web Services, therefore offering infinity scalability, but also a decrease of the cost anytime when the customer's activity is in decrease.

Other milestones for 2016:

- Cisco continued to be the main vendor with whom we worked;
- The consultancy services on cloud technologies (AWS, Azure) have known a significant increase;
- Within the technical team we were able to certify another resource to the expert level (CCIE), for Cisco's security technologies;
- We extended our skills by certifying an authorized trainer for Dell SonicWall solutions;
- We signed a partnership with Checkpoint organization for security products;
- Additional AWS certifications:
 - AWS Architect Associate
 - AWS Architect Professional
 - AWS Certified Developer
 - AWS SysOps Associate

Description of the competition within the company's field of activity, of the market share, of the company's products or services and of its main competitors;

The analysis of the company's main competitors should be broken down in two because of the two business lines in which matters differ strongly. Therefore, the Company sees itself as an IT training market leader and justifies it by:

- Operating in most IT training market segments (vendors, technologies, depth level, national coverage, etc.);
- Not competing with the same competitors in more than 2 market segments, being either the market leader or the second largest provider on each market segment. For example, for the Cisco official trainings, the company estimates a market share of $\pm 80\%$;
- There are market segments where there are no competitors (e.g. Amazon Web Services training partner)

When focusing the attention on the integration market (IT professional services), the very diversified range of services of the Issuer makes it impossible to determine percentages of market share. On the IT solution integration market are hundreds of competitors of various sizes, focused on niche markets, segments of customers, technologies, etc..

The main competitors of the company, players on the IT and training market, with whom the company competes on projects, are presented in alphabetical order:

Main competitors	Description
Avnet Technology Solutions	Avnet Technology Solutions distributes computing technologies for businesses, software and services. Avnet Technology Solutions is an operating group of Avnet, Inc. (NYSE: AVT). The company offers solutions as: computer components, security & networking solutions, server & infrastructure, server based computing, services, software, storage, document management technologies, virtualization. Through Avnet Academy they have for more than 25 years courses for vendors: VMware, IBM, Veeam, Symantec.
Brinel	With an experience of over 25 years in IT, Brinel offers IT solutions through the integration of applications and technology software, hardware, network equipment and services. Brinel has offices in Cluj Napoca, Bucharest, Oradea and Sibiu.
Crescendo	With a 23 years business experience in Romania, Crescendo provides IT&C applications, solutions and services. The company is defined as a "House of IT&C" which builds complex solutions for its customers. Crescendo holds certifications such as APC Certified Silver Reliability Provider, Cisco Gold Partner, Citrix Silver Solution Advisor, EMC Silver Business Partner, HP Gold Partner, Oracle Gold Partner, VMware Enterprise Solution Provider.
Cronus eBusiness	With more than 10 years of experience in the Information Technology field, Cronus eBusiness is an important Systems Integrator on the domestic market. Cronus eBusiness provides a complete services package in the field of ICT infrastructures: Integration Services, Managed Network Services and Managed Desktop Services. The company is one of the 6 Cisco Gold Partners in Romania, Riverbed Gold Partner, Solarwinds Gold Partner, Fortinet Gold Partner.
Datanet Systems	Datanet Systems is a member of Soitron group of companies. The company is one of the 6 Cisco Gold Partners in Romania. The current portfolio of Datanet Systems comprises services for areas as security architecture, data center infrastructure, Software Defined Networking, virtualization, Cloud infrastructure, customer interaction and information security. Datanet Systems is one of the technology providers for airtraffic control, banking and financial organizations, large, medium and small companies, public institutions and telecom operators in Romania. The company also provides Cisco courses.
Eta2U	Eta2U is an important provider of IT products and services, leading system integrator and IT solutions in western Romania. Eta2U is an active player since 1992. The big part of the business is on distribution, not on reselling IT products. Eta2U is also a training center focused on Microsoft, Cisco, Oracle, Java, Linux, ITIL, VMware, RedHat courses. Eta2U is active in Timișoara, Arad, Bucharest, Cluj-Napoca, Craiova, Deva, Oradea and Sibiu.
Frontal Communications	Established in 1994, Frontal Communications is a reliable IT&C solution and system integrator, having expertise and know-how in System Integration, Professional Services, Managed Services and Data Center

Main competitors	Description
	Solution. The main focus of the company is on the public sector. Frontal is one of the 6 Cisco Gold Partners in Romania and also VMware partner. the company is also Cisco Learning Partner.
IT Academy	IT Academy carries out its activity on the market for 10 years of training in Romania. The company specializes in self-education Project, Programme, Portfolio, Risk and IT Service Management. IT Academy is accredited to deliver Project Management PRINCE2 courses, Risk Management M_o_R, AGILE Project Management, Portfolio Management MoP, ITIL Service Management, IT Governance COBIT, ISO20000, ISO27000 and OBASH.
Kapsch Romania	Kapsch is a system integrator and supplier of end-to-end telecommunications solutions for fixed and mobile network operators, railway operators, urban transport organizations and companies seeking real-time asset management solutions.
Learning Solution	Learning Solution is a Microsoft partner since 2005, holding Silver Learning competence, in addition to skills such as Server Platform, Midmarket Solution Provider or Volume Licensing. Learning Solution instructors are actively involved in consultancy projects, implementing or developing solutions based on Microsoft technologies. The company is also testing center for Prometric, Pearson VUE and Certiport.
New Horizons	New Horizons Bucharest is an authorized training provider for many industry-recognized software and certification organizations. New Horizons creates solutions that fit individuals, businesses and governments as: career training for individuals, business solutions, enterprise solutions, government solutions, room rentals.
Pro Management	Pro Management learning center is forming power-users, CAD specialists, network administrators or database, system engineers, senior programmers, business analysts, software architects and project managers. Pro Management is in business for 18 years. The company is Microsoft Silver Learning Partner. However, Pro Management is also a testing center for Prometric, VUE, Kryterion, Autodesk Authorized Training Center, Dassault Systemes by CENIT-Gold Certified PLM Education Partner.
S&T Romania	S&T Romania was established in 1994 as a subsidiary of S&T System Integration & Technology Distribution AG - Austria. S&T has a broad portfolio of IT services with added value including: consulting, training customer, installation and maintenance, warranty and post-warranty, project management, training and professional support in related areas such as networking and systems operating. Also, S&T Romania is a center that answers the queries for near shoring of IT markets in Europe. The company provides software development, project management and associated consulting services.

Description of any significant dependency of the company on a single customer or on a group of customers whose loss would have a negative impact on the company's income;

- In 2016 we provided solutions for 245 customers
- Our customers - the most important companies on the market

In the description of the sales structure, the concentration of the turnover and the risk of losing significant customers, we should be aware of:

- The fact that the company does not have contracts with multiple, recurrent deliveries. Our type of product is better suited for "framework contract with punctual orders".
- The recurrence of the customers, the fact that the returning of these clients to buying from Bittnet is the result of combining two factors: our technical capacity of delivering products and services with a high level of specialization and the quality with which we carry out these services.
- Because of these factors, with the passing of time, the relations with our "reseller-type" partners but with other clients as well solidify, Bittnet gaining more and more confidence in the eyes of its partners which in turn translates into bigger projects.

These factors together lead to a concentration of sales to an important number of clients. Even though the company served more than 240 clients in 2016, the first 10 clients make up 50% of the turnover. The situation is more favorable than in 2015, when the first 10 clients made up 60% of the turnover. The following table presents the clients with the highest share in the company's turnover within the limits of the confidentiality clauses of the contract. The structure of our clients is dominated by the IT sector. As such, in 2015, 4 of the most important 5 clients for the company operated in the information technology industry.

The main reason is the partnership model that the company implements. Besides direct sale to clients, the company uses a "reseller" partners which contact the client. The company then splits the sales activity but eventually the client comes back to Bittnet for the delivery of the solutions together with hardware delivery, implementation services, maintenance and training services. This leads to the concentration of "final clients" under the "shadow" of a reseller.

Clients with the highest share in the total turnover	2014	2015	2016
Resale Partner Integration Services	-	11,63%	9.4%
Telecommunications sector client 1	-	2.26%	9.07%
Telecommunications sector client 2	11,33%	7,23%	7.4%
Datacenter Company	-	5,36%	5.9%
Testinservices Outsourcing Compay	-	-	6.33%
Cloud services	-	-	1.9%

1.5. Evaluation of issues related to the company's employees/staff

Specifying the number and level of preparation of the Company's employees and the degree of unionization of the workforce; Description of the relationships between managers and employees and also any conflicting elements that characterize these relationships.

During 2016, the average number of employees of the company was 13. The table below shows the partition by functional departments at the end of the fiscal years:

Department	2014	2015	2016
Sales	4	4	4
Technical	3	2	4
Marketing	2	2	2
Delivery	1	1	1
Management	Does not receive remuneration	Does not receive remuneration	4

The company externalizes a series of activities to independent subcontractors. At the end of 2016 the Issuer was cooperating with 35 contractors.

All of the company's employees are higher education graduates. The company's employees are not organized in a union. In the company's history there has never been a conflict between the management and the employees.

As a specific of the IT industry, it must be noted that the employees and collaborators (freelancers) of the industry are characterized by a certain degree of education, a continue will to learn and a greater independence. The type of work environment and professional activity is one characterized by cheerfulness, youth, desire to work and to 'prove' professional competence.

1.6. Evaluation of issues related to the impact of the issuer's main activity on the Environment

Synthetic description of the impact of the issuer's main activity on the environment as well as of any current or anticipated litigation in connection with the breaching of environment protection legislation.

Bittnet's professional activity does not have an impact on the environment. Working in the services sector, our activity focuses on acquiring knowledge and transferring it to our clients be it either through training or through consultancy, design and implementation services.

We are not engaged in any litigation and we do not foresee any litigation regarding the protection of the environment.

1.7. Evaluation of the research and development activity

Expenses during the financial year as well as of those estimated for the next financial year in connection with the research and development activity.

The company is not involved in any research and development activity. The company attains knowledge (know-how) by assimilating the information in the official materials of the IT producer (course materials, product presentations) and by testing out different scenarios in labs. The company proves its competencies by obtaining certifications from the IT solutions producers.

The full list of certifications can be found on the company's website at this address: <http://www.bittnetsystems.ro/certifications>.

1.8. Evaluation of the company's risk management activity

Description of the company's exposure to price, credit, liquidity and cash flow risks. Description of the company's policies and objectives regarding the risk management.

The company is exposed to a series of general and specific risks associated with its size and domain of activity.

Price risk

The price risk represents the risk that the price on the specific product or service market, sold by the company, may vary in such a way that existing contracts are no longer profitable.

This risk is consisted of two components: risk of price fluctuation that make up fixed costs for the project and risk of price fluctuation that make up variable costs of the project.

The company carefully addresses the issue of price fluctuation at the level of variable costs by:

- The company does not operate with inventory, each order to the supplier is based on a firm demand from the client and as such the commercial margin is "locked in".
- The company does not have any contracts with fixed prices for successive deliveries over long periods of time; any contract renegotiation with the suppliers is reflected in the CRM system, so that the sales team is always on hand with the latest prices for the 'raw material', therefore they can take this into account during the offer process.
- The company does not offer such contracts. In case of a demand for such a contract the company adds a "limit of price variation" clause.

The company carefully addresses the issue of price fluctuation at the level of fixed costs by:

- In the case of work force (employees or subcontractors): the company does not have any long term contracts with successive deliveries and fixed prices with clients and as such can offer at any time depending on needs. We estimate that an increase of costs regarding workforce will similarly affect the industry not just the company.
- The leader position on the IT training market allows the company to obtain better prices.
- The most important fixed cost is the rent for the work point at Iuliu Maniu Boulevard, no. 7-11. This contract has a fixed price until January 2017 and the price includes utilities. At the time of writing this report, the Company has already signed a head of terms with a new office space, which will reflect better the Company's image, and will also offer a significant increased surface for the ongoing courses. For 2017 the new lease contract has a price per square meters similar to the one for the actual space.

Exchange rate risk

An important element of the price risk is the exchange rate fluctuation risk. The company aims to be neutral to the exchange rate fluctuation risk. This is addressed by:

- The company avoids as much possible to make “cross currency” offers (offers in a different price either than the one in which it was bought).
- In case of such a demand we include a “variation limit” clause in the contract.
- All the selling prices from the contract are expressed in currency, with the billing in RON at the exchange rate from the date of the delivery.
- The company does not operate with inventory; once with the intensification of the export activity, the company keeps the money cashed in the initial currency, in order to directly pay in the currency of the foreign partner. This approach allows us to cancel the exchange rate fluctuation effect in the case of open invoices (because the evolution in an unfavorable direction of the exchange rate, which influences the open invoices in the way of value payment in national currency, is cancelled by the increasing RON value of holding currency). As proof, during 2016 the society recorded a profit from exchange rate differences.

Liquidity risk

The liquidity risk is associated with owning immobilized or financial assets. The Company's activity does not depend on owning financial and immobilized assets and transforming them into liquidities. The company's assets (equipment) is used in current activity (services). From the total assets the largest part consists of receivables and bank liquid. From this point of view, for the company, more important are the cash flow and credit risks.

Credit risk

The credit risk represents the risk for the company's debtors to not be able to honor their obligations in due date because of financial problems. The company is less exposed to this risk because of the specific nature of its products and services which address companies of a certain size and with a particular financial situation.

The company analyses new customers using specialized tools (specific sites with the capability of analysing a client's reliability) and has a strict procedure and documentation for orders and delivery of goods and services. As proof of this risk management, the company did not affect in any way the insolvencies of 2K Telecom or Teamnet International (unlike some of our competitors).

Although, the Company has not identified a solution that completely eliminates the credit risk, this being one of the most important risks for a company of our size.

Cash flow risk

The cash flow risk is associated with the fact that the company cannot honor its debts in due date.

In the Company's activity this has two components which we closely follow:

- The synchronization of due date for payments from our clients for a certain project with due date for payments to the suppliers for that particular project. The company's procedures have a 0 priority for this synchronization (the due date for our client to be sooner than the due date to our supplier). This problem picks up on the form of back-to-back clauses when it comes to receiving invoices for subcontracted services or paying sale commissions. Additionally in order to address the issue in which clients with a strong negotiating power require due dates which the suppliers cannot hold, the Company actively and continuously looks for financing solutions like invoice discounting, factoring, etc.. As an example during 2016 the Company had at its disposal and accessed 2 different facilities without regress from 2 different financiers.

- The risk of business seasonality. Because of the specific nature of the clients which the company addresses (companies which operate on an annual budget, investment plans, etc.), in the B2B IT industry segment, we noticed an increase in the volume of business in the fourth quarter. On the other hand the delivery capacity cannot easily be re-dimensioned and as such in case of a less-than-expected fourth quarter there is the risk for the company's profitability to not reach the set goals. Throughout the year this leads to the necessity of financing lines. The company actively seeks the extension of financing from banks in both short and long run.

During 2016 the Company has carried out a bonds offer maturing in 2019, through which obtained from the capital market a financing 'committed' to 4.186 million RON - for current business use, for supplementing funding lines.

The company takes into account any financing tool for the long run which reduces the risk of cash flow. More so, the company desires to increase the volume of support services for 2015, which bring a constant monthly revenue which in turn reduces the "seasonal" risk.

Risk associated with key persons

The Company's success depends to a significant degree on its ability to continue to attract, retain and motivate qualified personnel. Bittnet's business relays on highly qualified and adequately compensated engineers, which are limited in number and might receive position offers from the competition. In case of the Company fails to manage its personnel needs successfully, this could have a material adverse effect on the business, financial condition, results of operations or prospects. The Company offers attractive compensation packages and dynamic career paths in order to attract, retain and motivate experienced and promising personnel.

In 2016 Bittnet has faced much less with staff turnover than the companies with whom we do business. However, two important decisions that we took in 2015 have allowed us to resolve this issue in a 'winning' way:

1. adding the role of HR in organization and adding a new colleague which has experienced in recruiting IT professionals. The role of HR has two main objectives:
 - a. continue recruiting - identifying new talented professionals to include them in our technical team;
 - b. create and maintain a pleasant, engaging, and healthy working environment, focused on promoting constantly the values of the company's corporate culture on which it relies: competence, performance, integrity, flexibility and fun.
2. listing on the Bucharest Stock Exchange, allowed us to obtain an employer appreciated profile which helped us to differentiate our company as an open and transparent image - an highly appreciated by all new employees in 2016, and also by the old ones.

This risk continues to be one of the most important 'threats' of our company, and consequently, the management will continue to give importance to this aspect. In 2016, the Shareholders General Meeting approved an incentive share-based plan for key people in order to better align their interests with the long term interests of the Company.

Risk associated with significant clients

At the end of 2016 the Company's customer structure was less concentrated than in the previous years. The main ten customers generated 50% of revenues. The customer structure is dominated by companies from IT&C sector (with four out of five largest clients). A highly concentrated customer structure creates risk associated with potential loss of one of main clients. The loss of a key customer may adversely affect the level of revenues and profits reported by the Company.

The company is working actively to develop new partnerships to provide a dispersion of this risk - in 2016 there can be seen results of these efforts, the concentration is lower than in 2015 (which in

turn was lower than in 2014), and in our portfolio appeared significant new customers.

Risk associated with the rights to the trademark

The „Bittnet Systems” trademark is owned by a third party related personally to the Company’s management (hereinafter also referred to as licensor). In 2010 the Issuer signed an agreement under which the Company can use the trademark by paying a percentage of turnover value generated in a given year.

The agreement was signed for 10-year length period (until 2020) and does not include and terms of notice for dismissal. The agreement contains contractual penalties, according to which for each day of delay in payments there are interest charged equal to 0,1% of payment value.

During 2016, the Company reached an agreement in principle for the transfer of the mark to the Company. This agreement foresees the payment of an amount by the company and the transfer of 5% of the company shares held by the founders (Logofătu Mihai și Logofătu Cristian) in exchange of the perpetual right to use the mark. During 2017 the society will evaluate with the capital market entities the practical modality transposition in reality of this agreement, given the limitations of the Central Depository Code on transfer of shares by major shareholders.

Risk associated with realization of business development plan

The Company’s strategic objective is to continuously develop relationships with the clients. It cannot be excluded that Bittnet will not be able to expand the current client base or that the relationships with existing customers will be deteriorating. There is also the risk that the Society will not be able to perform other elements of the defined strategy, that is: the expansion of sales team, launching new local offices in the main Romanian cities, strengthening the position of a leader of the IT Training market, expanding the customer base and to provide trainings to more potential customers, development and creation of strategic partnerships with companies of similar or complementary profiles will not be successful. In order to reduce this risk the Company intends to continue to extend the product and services offer and improve marketing activities.

Risk associated with realization of the financial forecasts

Financial forecasts of the Company start from the successful implementation of the growth strategy hypothesis based on existing resources and business units. However, there is risk associated with the realization of the financial forecasts. Forecasts were created with due diligence, however they are subject to many variables. The actual data related in future periodic reports may differ from forecasted values as a result of unforeseen factors in the environment of the Company. The Issuer will provide information according to the possibility of realization of financial forecast in each quarterly report.

This chapter deserves a more detailed discussion. Every year the company submits to the shareholder’s approval a revenue and expense budget. The Management realizes this BVC using an ‘up and down’ approach - beginning with the evaluation of the ongoing projects (of the available sales pipeline at the time of the production of the BVC), of the sales statistics of the previous years, of the marketing and sales already engaged / planned actions, and of the sales targets assumed by each member of the sales team. In other words, the BVC is realized in a prudent way.

On the other hand, what we follow and measure in the relationship with the sales team and with any other partner is the commercial GROSS MARGIN and not the sales amount. This way, in every year, at the publishing of the BVC, the management has to answer to the “If we have a reasonable thrust that we will generate 100 RON gross margin, of how many RON we will obtain this margin?” question. It must be taken into consideration that the sales realizations are measured and appreciated EXCLUSIVELY by the generated gross margin volume. In other words, 100 Euro of gross margin generated by 200 Euro course sales is as valuable to the company and is, therefore, the same rewarded with 100 euro of gross margin of 500 euro communication solution sales.

In order to answer to the “Of how many RON is it necessary to produce the 100 RON engaged margin” question, we must therefore intermediately answer to the “which will be the average percentage of gross margin registered by the company?” question. According to the prudence principle, the management applies small percentage decreases to the already registered gross margin, in order to find out the answer to this question.

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

Although, the company follows only the gross margin, not the volume of sales, that is why during the budget exercise is more likely that the revenue forecasts (turnover) to be wrong, and the profitability ones to be more accurate. In other words, the management does not aim, does not follow, and does not reward the achievement of any revenue targets and, in consequence, the investors should not follow and evaluate the company’s aim of the revenue indicators (turnover), but of the profitability indicators.

Risk associated with interest rates

The Company is exposed to the risk of interest rate increase due to the raised credits and loans. Any increase in interest rates will be reflected as an increase of financial costs. The Company regularly monitors the market situation to predict the risk associated with interest rates and stays in touch with as many loan institutions in order to ensure an 'arbitration' between their offerings.

Also, in the fiscal year 2016 the Company successfully carried out a sale offer by private placement of bonds according to the Decision no. 9 of the Extraordinary General Meeting of Shareholders on April 28, 2016. The intermediary, who has carried out the placement, was BRK Financial Group. The bonds have a face value of 1,000 RON, a maturity of 3 years and an annual interest rate of 9%, payable quarterly. There have been subscribed a total of 4186 bonds, which raises the total amount drawn under the placement to 4.186 million RON. The Company’s bonds were furtherly admitted to trading on the bond market of BVB in September, 28th, 2016, under the trade symbol BNET19.

Thus, the company 'blocked' the interest at 9% - a comparable level to DAE’s previously paid in relation to the commercial banks.

Risk associated with the listing of the Company on the AeRO market – future price per share and transaction liquidity

The price of shares and the liquidity of transactions for companies listed on the AeRO market depend on the number and size of the buy and sell orders placed by investors. There can be no guarantee regarding the future price of shares and their liquidity after the debut on the AeRO market for the Company. There can not be no guarantee that after an investor has bought shares of the company he can sell them at a satisfying level of price.

Risk associated with direct investment in shares

Shareholders should be aware of the risk associated with direct investment in shares which is greater than the risk associated with public securities or shares in an investment fund, mainly because of the volatility and unpredictable nature of share prices, in both short and long-term.

Risk associated with changing law and tax in Romania

Changes in the Romanian legal or tax systems may affect the economic activity of the Issuer. Changes related to the adjustment of the Romanian legislation to EU regulations may affect the legal environment of business activity of the Issuer and its financial results. The lack of consistent rules and protracted procedure for obtaining administrative decisions may also restrict further development of the Issuer. In order to minimize the risk the Company regularly analyzes the changes

in these regulations and their interpretations.

1.9. Estimates of the company's future activity

- strengthening our leadership position in IT training
- value & develop market trends
- development of strategic partnerships

The development strategy of the Company for the short and medium term is based on the following pillars:

- **strengthening the position of a leader of the IT Training market** with intention of maintaining the perception of a 'one stop shop' provider of IT training in Romania. The Company plans to continue to aggressively grow training products portfolio and focus on:
 - **deepening the team's knowledge and ability in the areas that are already covered** (being able to deliver more courses of the current vendors):
 - enterprise networks;
 - cloud, data center;
 - virtualization;
 - security;
 - unified communications (telepresence, voice over IP, call management);
 - mobility (VPN, Bring Your Own Device);
 - software and services (Google Apps, Microsoft Office 365, Amazon Web Services);
 - middleware;
 - databases;
 - IT Service Management.
 - **widening the team's knowledge in additional areas**, either by adding vendors in portfolios across the previously discussed architectures or by adding new technologies and delivery capabilities. In order to remain at the forefront of technological advances the Company continuously monitors the technology landscape in order to identify trends that might become popular in future,
 - **adding new product lines** in the areas of software training and programming languages, software development tailored to the needs of specific customers,
 - **adding new delivery options** other than direct face to face classroom training, i.e. virtual remote live training in order to satisfy customers' needs to get training faster, closer to workplace, without having to travel, and with lower general expenses. This would allow the Company to start delivering training outside the borders of Romania having such advantages as: good level of English, excellent IT knowledge and attractive prices,
 - **broadening the portfolio by adding end user trainings**, as opposed to trainings aimed at IT system administrators (in different areas of administration), these trainings don't have a predefined user base, meaning that the potential customer base is much larger. The concept is to cooperate with larger companies offering Microsoft end user trainings (including Visio, Project, Office 365, etc.) and launching an "IT Security for Users" type of training which falls into the requirements of a large number of the Company's enterprise customers,
- **capitalizing on the wide industry trends** including BYOD (Bring Your Own Device), cloud services, nearshoring (transfer of business and IT processes to companies in a nearby country, as opposed to offshoring to India or China) to Romania. These trends allow the Company to deliver new technology projects to its existing customers, to expand the customer base and to provide trainings to a lot more potential customers that relocate to Romania. Nearshoring of business and IT processes to Romania create a huge opportunity for:

- providing new companies or their offices with IT infrastructure (desktops, laptops, network infrastructure as: switches, routers, wireless, phones, tablets, servers, security solutions, etc.),
- providing new companies or their offices with the implementation services and the support and maintenance services for their IT infrastructure,
- providing new companies with IT user training,
- providing new companies with continuous IT administration training for their employees in IT support roles,
- **continuous development and creation of strategic partnerships** with companies of similar or complementary profiles, which open a potential 'reseller channel' and enable each party to provide supplementary services to their customers.

The above description is a general framework for development, nevertheless the Company strives to remain flexible and its priority is to adapt to changing market conditions and reality.

The general approach of the management is the strategy of accelerated growth in turnover. We work in a knowledge domain, which requires a large team and experienced professionals both in sales, operations and technical department. This business model results in a high fixed cost structure. On the other hand, once the company exceeds the gross margin generated by fixed costs, profit margin generated automatically becomes later. For this reason, the company aims to continue the pattern of "accelerated growth". In 2016, compared with 2015, a 36% increase in revenues (the same percentage gross margin compared to 2015) brought a doubling increase of the operational profit, as expected in the financial model.

II. Tangible assets

2.1. The location and main features of the production equipment owned by the company.

The specific nature of the company's activity does not assume owning significant corporal assets. The owns calculus technique (laptops, servers, mobile phones), office furniture, multifunctional printers and network equipment organized as course labs and demonstration labs for technical solutions.

The majority of these assets were acquired with a irredeemable fund from Regio, code SMIS project 18446. This equipment can be found at Iuliu Maniu Boulevard, no. 7-11, first floor, district 6, Bucharest.

2.2. Description and analysis of the extent of the company' s property wear-and-tear.

The IT equipment owned by the company has physical depreciation specific to an office - little. From the point of view of moral depreciation, due to the fact that at the time of acquisition they represented technologies "for the future" and because of the judicial use of virtualization technology, Bittnet has one of the best equipped training centers. This statement is confirmed by the fact that we rent equipped training rooms and IT infrastructure to companies from the IT industry for their internal trainings or to partners for resale.

However, with the expiry of the renting contract at the current headquarters, the management has examined whether to extend the current contract versus choosing a different office building. At the time of writing this report the company has signed a pre-contract with an owner of Class A office building with parking, nearby two subway stations. New office headquarter will have a significantly increased surface area (1100 square meters versus 500 currently), allowing us to accommodate more classrooms and more team members. With this move, the company also seeks a renewal of the IT equipment used by employees and students, choosing the approach 'pay as you use' - rental

equipment and not investment in tangible assets.

If in the 2017 the financing SCALE-UP (or other grant schemes relevant) will become operational and will allow the financing of tangible assets such as equipment, infrastructure / servers / private cloud, the company intends to apply and purchase thus a new generation of equipment, but ONLY with the grant.

In other words: if we can get a grant we will invest in tangible assets, if not, we will not use the shareholders money, but customer's for renting the equipment.

2.3. Potential issues related to ownership rights over the company's tangible assets.

In accordance with the irredeemable funding contract Regio through which the IT equipment was bought, these cannot be sold, rented or be offered as warranty in the purpose of obtaining credits until the 31 of March 2017.

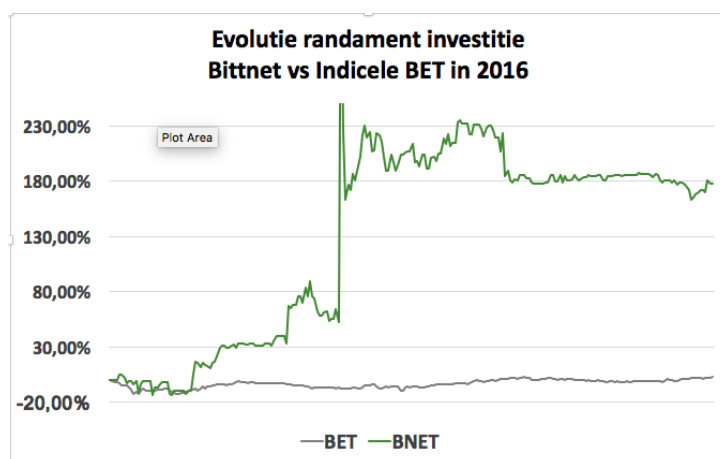
III. The market for the securities issued by the company

- first IT company listed at the Bucharest Stock Exchange;
- symbol: BNET;
- increase of 287% since the moment of listing;
- first IT corporate bond issue in Romania: BNET19.

3.1. The markets in Romania and in other countries where the securities issued by the company are traded.

Securities issued by the company are traded at the Bucharest Stock Exchange on the AeRO - ATS market, symbol BNET, ISIN code ROBNETACNOR1.

During 2016, shareholders had an investment increase of nearly 3 times (the company capitalization has evolved from RON 7.7 million on January 1st 2016 to RON 21.4 million at the end of the year). Also very relevant is that the shares were traded in a total of 235 meetings, with a total of 2,200 transactions and a volume of 300,000 shares. This places us in the top three most traded Companies on the alternative market, regarding the number of transactions.



3.2. Description of the company's dividend policy. Mention of the dividends owed/paid/accrued within the last 3 years and, if necessary, the reasons for a possible reduction in dividends during the last 3 years.

The General Meeting of Shareholders annually adopts the decision regarding the allocation of profits. However, it is the company's intention to not pay dividends for the following two financial years (from the profits of 2015 and 2016).

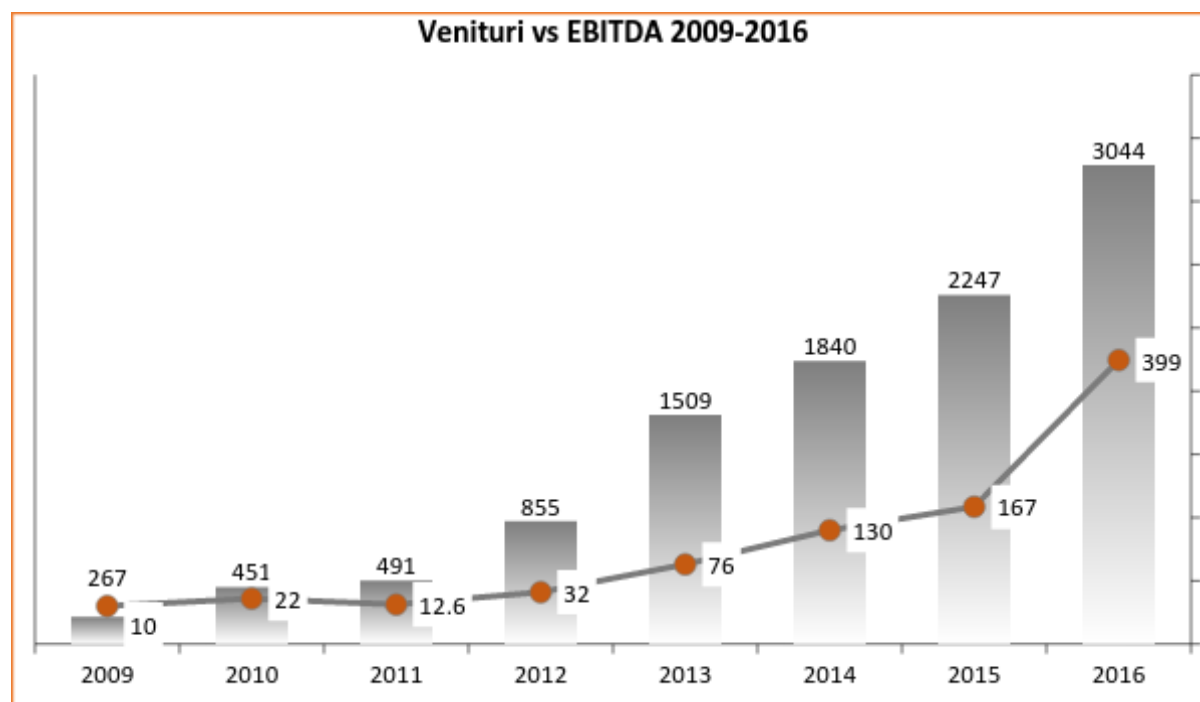
Bittnet activates in a very dynamic industry - Information Technology. Until now we managed to attain significantly growing rates of profitability from both an EBITDA point of view as well as net profit.

However, the current size of the company together with the trend of consolidation present in all industries in the economy give us the feeling that "the only way to go is up". As such we intend to continue to invest all our resources into building up the company.

On the other hand, from the point of view of the shareholders, this policy of complete reinvestment of profits means a "no-dividend" policy. We intend to propose to the shareholders that we continue this investment policy for as long as prospects of growth for the company are greater than those of the general market. In the long run and in general the value generated by the company will reflect in the company's value itself - share price. The management feels that it can keep an above-the-market rate of growth for a significant period of time. Our current operational capacity is of the nature that we can extract profits by accelerating the turnover growth. This is the management's intention: to

continue the turnover growth in similar conditions of profitability expressed in gross margin. As such the company will generate more money that can sustain a general fixed structure of costs, in essence the "gross additional margin" contributing almost fully to the gross profit of the company.

Financial results in 2016 confirm this strategy - with an increase of only 37% of revenue, EBITDA grew by 100%.



Specification of dividends due / paid / accrued in the last three years and, if applicable, the reasons for the possible reduction of dividends during the last three years.

Between 2011-2014 the company decided not to distribute dividends. In March 2015, in process of becoming a public company, Bittnet decided to use reserves from 2007-2011 profits as follows: RON 89.000 to increase capital and RON 40.234 dividends due to shareholders.

The amount of RON 40.234 was paid to during 2016.

3.3. Description of any activity involving the company's purchasing its own shares.

During 2014 and 2015, following the desire to be listed at the Bucharest Stock Exchange, the company increased its share capital with money from undistributed profits for the period 2007-2014. The shareholders made no restraining regarding the resulted shares, allowing the company to use them in order to receive capital infusion by placing the shares to new investors.

In 2014 and 2015 the Company acquired its own shares (treasury shares). The treasury shares were acquired as follows:

- • 333.330 treasury shares on the basis of the resolution no. 2 of General Meeting of Shareholders conveyed on November 18th, 2014. The shares were paid out of profits available for distribution.
- • 117.109 treasury shares on the basis of the resolution no. 2 of General Meeting of Shareholders conveyed on February 25th, 2015. The shares were paid out of profits available for distribution.

On March 9th, 2015 the Company signed a sales-purchase contract with Carpathia Capital S.A. headquartered in Poznań, Poland. According to the contract the Company sold 450 439 treasury shares, having a nominal value of RON 0,10 each and a total value of RON 45 043,90 representing 10% of Bittnet Systems share capital and 10% of total number of votes at the General Shareholder Meeting. The sales price for 450 439 treasury shares amounted to the total value of EUR 150 000.

During 2016 the company approved the capitalization of previous years' profits by issuing bonus shares in the ratio of 2 bonus shares for every share held by shareholders on registration date May 20, 2016. These shares entered in the shareholders trading accounts on August 23, 2016.

Since February 2017, the Central Depository has implemented a new processing of corporate events system (including the distribution of free shares) system that will generate "automatic" shares free distribution next day following the registration date. For shareholders this can only be good news, because the company will continue a similar approach in 2016 seen at the successful models of companies such as Banca Transilvania, Albalact or Impact: capitalization of all profits and granting free shares - operation which we estimate it will end faster this year.

Furthermore, the Extraordinary Shareholders Meeting from 28 of April 2016 approved a capital increase with new contributions in cash, carried out in three stages, of which during 2016 has been trading the preemptive rights. At the publication time of this report we can confirm the successful 100% of the capital increase in 3 stages. In stage 2 (9 January to 8 February 2017) were subscribed 99.2% of shares, and in stage 3 remaining shares were subscribed to 100% after a private placement offer.

We express our gratitude for shareholders' confidence in company's development plans and we confirm that the operations to strengthen the company's financial position will continue through the mechanisms provided by the capital market, following successful examples already exist in the history of Romanian stock exchange.

3.4. Where the company owns branches, mention of the number and the nominal value of the shares issued by the parent company and held by the branches.

The company does not have any subsidiaries.

3.5. Where the company has issued bonds and/or other debt securities, presentation of the way in which the company fulfils its obligations towards the holders of such securities.

July 18, 2016 Bittnet informed shareholders about the success of the corporate bonds sold in a private offer, according to Decision no. 9 of the Extraordinary Shareholders Meeting from 28 April 2016. The intermediary, who has conducted the placement was BRK Financial Group. The bonds have a face value of 1,000 lei a maturity of three years and an annual interest rate of 9%, payable quarterly. There were subscribed a total of 4186 bonds, raising the total amount of the placement to RON 4.186 million. The subscriptions were made by 36 individuals and 4 legal entities. Funds raised are used to support the company's current activities and to continue accelerated development plans. The company bonds were admitted for trading on the bond market of the Bucharest Stock Exchange on September 28, 2016 under the trading symbol BNET19. The company is up to date with the coupon payments to bondholders through the Central Depository's system. Next coupon will be paid mid-April 2017.

At the end of 2016 the company had the following bank credits:

- Credit at ProCredit Bank, for RON 350.000 with due date August 2017, with reimbursement in monthly rates;
- Credit line at Banca Transilvania, RON 1.000.000, revolving, without reimbursement until

maturity: December 2017

- Credit line Patria Bank, 1.200.000 RON, revolving, reimbursement until maturity: June 2016
- Financing ceiling for acquisitions in projects involving the supply of commodities RON 2.000.000, Patria Bank. Withdrawals from this loan product can only be made based on firm order from the customer and with advance invoice from the vendor. During 2016 this limit increase to RON 2.000.000 and turn into 'revolving'.

IV. Company administration

4.1. Presentation of the company's administrators and the following information for each administrator:

- a) CV (family name, first name, age, skills, professional expertise, position and length of employment;
- b) any agreement, understanding or family connection between the respective administrator and another person who is responsible for appointing him/her administrator;
- c) the administrator's equity participation in the company's capital;
- d) the list of related parties to the company.

4.2. Submission of the list of the company's executive management members. For each member the following information shall be included:

- a) terms of office for the person who is member of the executive management;
- b) any agreement, understanding or family connection between that person and another person who is responsible for appointing him/her member of the executive management;
- c) equity participation of that person in the company's capital.

4.3. For all the persons referred to in items 4.1. and 4.2, it shall be mentioned the possible litigation or administrative proceedings in which they have been involved in the last 5 years, referred to their activity within issuer, as well as those related to the capacity of that person to fulfil the attributions within the issuer.

The company's administrator is Mihai Logofatu - founder of the company. The administrator's mandate has a duration of 4 years beginning with March 2015 until March 2019.

The operational management of Bittnet is represented by the two founders: Mihai Logofatu - CEO and Cristian Logofatu - CFO. Mihai and Cristian Logofatu are brothers.

Beginning with 2012, after the capital infusion from Razvan Capatana, Bittnet has put together a consultative Board, composed of people with good reputation and vast experience in the business world: Sergiu NEGUT, Andrei PITIS si Dan STEFAN. Starting 2015, Dan BERTEANU joined the Advisory Board of Bittnet.

The Board meets at least 4 times a year, when the members are presented internal management reports and the board members offer advice and guidance to the company management.

The experience of the board members has proved to be an invaluable resource and a strong support in developing the company for the past 5 years and Bittnet continues to rely on their help.

Mihai Logofatu - CEO & Founder

LinkedIn Profile

ro.linkedin.com/in/mihailogo/ro

Education:

- 2012 PhD in Management from 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, Owner
- 2003 – Present Academia Credis Bucuresti, Manager
- 2001 – 2003 Academia Cisco a Universitatii din Bucuresti, Instructor

Percent of shares held in the Company

Mihai holds 4,368,339 shares which account for 30.09% of share capital and 30.09% of vote rights.

Additional Regulatory Disclosure Info

- Mihai is currently also performing professionally as Business Development Consultant for the Credis NGO
- Within the last three years the Mihai was not a member of managing or supervisory board or a partner in a commercial law companies and partnerships.
- Within the last five years Mihai has not been prohibited by the court to act as a member of managing or supervisory bodies in commercial law companies and partnerships.
- Within the last five years there have been no cases of bankruptcy, compulsory administration or liquidation for entities in which Mihai was a member of managing or supervisory bodies.
- Mihai does not perform activities competitive to the activities of the issuer.

Cristian Ion Logofatu - CFO & Founder

LinkedIn Profile

ro.linkedin.com/in/cristilogo/ro

Education:

- 2006 Master degree in Computer Science – University of Bucharest
- 2003 Bachelor degree in Finance – Academy of Economic Studies – Bucharest

Professional experience:

- 2007 – Present Bittnet Systems, CFO, Owner
- 2003 – 2007 University of Bucharest – ODL Department, Economist
- 1999 – 2002 University of Bucharest – ODL Department, WebDesigner

Percent of shares held in the Company

Cristian holds 4,368,339 shares which account for 30.09% of share capital and 30.09% of vote rights.

Additional Regulatory Disclosure Info

- Cristian is currently also performing professionally as Executive Director for the Credis NGO
- Within the last three years the Cristian was not a member of managing or supervisory board or a partner in a commercial law companies and partnerships.
- Within the last five years Cristian has not been prohibited by the court to act as a member of managing or supervisory bodies in commercial law companies and partnerships.
- Within the last five years there have been no cases of bankruptcy, compulsory administration or liquidation for entities in which Cristian was a member of managing or supervisory bodies.
- Cristian does not perform activities competitive to the activities of the issuer.

Sergiu Negut - Member of Advisory Board

LinkedIn Profile

ro.linkedin.com/in/sergiu/ro

Education:

- 1990 – 1995 Universitatea “Politehnica” din Bucuresti, Master of Science, Computer Science
- 1992-1995 Academia de Studii Economice din Bucuresti, Bachelor degree, International Business Administration
- 2003-2003 INSEAD, Master of Business and Administration
- 2010-2010 Harvard Business School, Executive Course, Leading High Performance Healthcare Organizations

Professional experience:

- 2013 – Present Maastricht School of Management Romania, Associated Dean of Entrepreneurial Growth
- 2014 – Present Mindit Consulting, Partner
- 2012 – Present SVP Consult, Owner
- 2013 – Present 2Parale, Associate Partner
- 2011 – Present frufu, Associate Partner
- 2012 – 2014 Wanted Transformation Consultancy, Transformation Partner
- 2006 – 2011 REGINA MARIA, The Private Healthcare Network, Deputy CEO & Board Member
- 2005 – 2005 Amgen GmbH, Project Manager Business Development
- 2004 – 2005 Amgen CEE, Project Manager CEE
- 1998 – 2000 Windmill International, Country Manager
- 1994 – 1998 Windmill International, Steel Trader

Percent of shares held in the Company

Sergiu holds 117.566 number of the Company's shares which account for 0,81% in share capital and 0,81% of total number of votes in the General Shareholders Meeting.

Additional Regulatory Disclosure Info:

- Sergiu is currently Associate Dean in Maastricht School of Business.
- Currently Active partner in: SVP Consult, Intermedicas Worldwide SRL, Hart Human Resource Consulting SRL, 2 parale afiliere SRL, Mondo di pasta SRL, MINDIT Consulting SRL, Mindit Software SRL, Instore Media Retail SRL, Spark Education SRL. Previously active in: Wanted Transformation Consultancy
- Within the last five years indicated person has not been prohibited by the court to act as a member of managing or supervisory bodies in commercial law companies and partnerships.
- Within the last five years there have been no cases of bankruptcy, compulsory administration or liquidation for entities in which the person was a member of managing or supervisory bodies.
- Sergiu does not perform activities competitive to the activities of the issuer.

Andrei Pitis - Member of Advisory Board

Profil LinkedIn

ro.linkedin.com/in/andreipitis/ro

Education:

- 1995 – 1996 Master degree in Computer Science, Universitatea “Politehnica” din Bucuresti

Professional Experience:

- 1995 – Present University Politehnica of Bucharest, Associate Professor
- 2005 – 2010 IXIA, Senior Director
- 2013 – Present Vector Watch, Founder & CTO
- 2012 – Present ANIS, President
- 2011 – Present Clevertaxi, Board Member

Percent of shares held in the Company

Andrei holds 117.566 number of the Company’s shares which account for 0,81% in share capital and 0,81% of total number of votes in the General Shareholders Meeting.

Additional Regulatory Disclosure Info

- Member of the following NGOs: President of ANIS – the National Association of Software Producers, Member of TechAngels and Member of Innovation Labs.
- Currently Active partner in: Vector Watch, Clever Taxi and TechMind (Simple Systems). Previously active in: I-rewind.
- Within the last five years indicated person has not been prohibited by the court to act as a member of managing or supervisory bodies in commercial law companies and partnerships.
- Within the last five years there have been no cases of bankruptcy, compulsory administration or liquidation for entities in which the person was a member of managing or supervisory bodies
- Andrei does not perform activities competitive to the activities of the issuer.

Dan Stefan - Member of Advisory Board

LinkedIn Profile

dz.linkedin.com/in/danstefan/ro

Education:

- 2001 – 2002 Master's Degree, International Business, University of Paris
- 2000 – 2001 Master's Degree, International Economics, Université d'Orléans
- 1997 – 2001 Bachelor's Degree, International Trade, Academia de Studii Economice din București

Professional experience:

- 2006 – Present Autonom Rent a Car, Executive Director and Owner
- 2007 – Present Autonom Lease, General Manager and Owner
- 2002 – 2006 IAC, Purchasing Consultant

Percent of shares held in the Company

Dan holds 117.566 number of the Company's shares which account for 0,81% in share capital and 0,81% of total number of votes in the General Shareholders Meeting.

Additional Regulatory Disclosure Info

- Dan does not perform any activities outside the Issuer which are significant for the Issuer.
- Currently Active partner in Autonom Rent a Car and Autonom Lease.
- Within the last five years indicated person has not been prohibited by the court to act as a member of managing or supervisory bodies in commercial law companies and partnerships.
- Within the last five years there have been no cases of bankruptcy, compulsory administration or liquidation for entities in which the person was a member of managing or supervisory bodies.
- Dan does not perform activities competitive to the activities of the issuer.

Dan Berteanu - Member of Advisory Board

LinkedIn Profile

<https://www.linkedin.com/in/danberteanu>

Education:

- 1990 - 1995 Master of Science Bio-Informatics, University Politehnica of Bucharest
- 2000 - 2015 multiple international certifications in Adult Education, Return on Investment, Project Management, Coaching and Gamification

Professional experience:

- October 2014 - present Equatorial - Managing Partner Equatorial
- January 2009 - October 2014 United Business Development - Partner
- September 2002 - December 2008 AchieveGlobal Romania – General Manager
- November 1997 - August 2002 NCH Corporation - Regional Sales Manager
- June 1996 - November 1997 RomWest EURO – Area Sales Manager

Percent of shares held in the Company

Currently Dan doesn't own shares at Issuer.

Additional Regulatory Disclosure Info

- Visiting Professor at the Polytechnic University
- Currently active partner in: United Business Dynamics Ltd, Equatorial Equatorial SRL and Gaming Training SRL
- Within the last five years the person was not prohibited from being a member of the board or supervisory board in a company or a partnership.
- Within the last five years there have been no cases of bankruptcy, compulsory administration or liquidation for entities in which the person was a member of managing or supervisory bodies.
- Dan performs activities that are not in competition with the issuer's activities.

V. Financial and accounting statements

Presentation of an analysis of the current economic and financial position in comparison with the previous 3 years, with reference to at least:

- a) balance sheet items: assets accounting for at least 10% of total assets; cash and other liquidities; reinvested profits; total current assets; total current liabilities;
- b) profit and loss account: net sales; gross income; cost and expenditure items accounting for at least 20% of net sales or gross income; risk and various expenses provisions; reference to any sale or interruption of an activity segment during the last year or estimated for the next year; dividends paid;
- c) cash flow: all the changes occurred in the cash flow generated by the company's main activity, by investments or financial activities, the cash flow at the beginning and at the end of the period.

BALANCE SHEET

	ROW	31 DECEMBER 2013	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2016
DESCRIPTION		RON	RON	RON	
A. FIXED ASSETS					
I. INTANGIBLE ASSETS	1	0	98.493	147.682	178.603
II. TANGIBLE ASSETS	2	323.318	179.073	58.742	4.501
III. FINANCIAL ASSETS	3	40.551	92.923	90.902	
FIXED ASSETS - TOTAL	4	363.869	370.489	297.326	183.104

B. CURRENT ASSETS					
I. INVENTORY	5	15.984	995.189	132.610	408.878
II. RECEIVABLES	6	4.022.250	3.249.575	4.815.606	7.499.261
III. SHORT TERM INVESTMENTS	7				
IV. CASH & CASH EQUIVALENTS	8	20.663	812.944	3.007.788	2.354.993
CURRENT ASSETS - TOTAL	9	4.058.897	5.057.708	7.956.004	10.263.132

C. PREPAID EXPENSES	10	87.789	68.672	94.669	686.217
D. SHORT TERM DEBT	11	3.261.941	3.557.154	5.623.092	3.677.445
E. NET CURRENT ASSETS / NET CURRENT LIABILITIES	12	882.028	1.567.397	2.421.826	6.824.913
F. TOTAL ASSETS LESS CURRENT LIABILITIES	13	1.245.897	1.937.886	2.719.152	7.455.008
G. LONG TERM DEBT	14	0	657.788	499.858	4.354.951
H. PROVISIONS	15	0			

I. PREPAID / ADVANCE REVENUE	16	587.021	417.184	305.269	
1. Subsidies for	17	584.304	415.355	299.514	

investments					
2. Unearned revenue	18	2.717	1.829	5.755	
less than one year	19	2.717	1.829	5.755	
more than one year	20				
3. Income received in advance for assets transferred from customers	21				
Negative goodwill	22				

J. CAPITAL & RESERVES					
I. CAPITAL	23	300.000	333.333	450.438	1.351.315
1. Subscribed paid capital	24	300.000	333.333	450.438	1.351.315
2. Subscribed unpaid capital	25				
3. Patrimony (autonomous public sector entities)	26				
4. National institutes of research and development patrimony	27				

II. PREMIUM SHARE CAPITAL	28	1.250	1.250	1.250	
III. REVALUATION RESERVES	29				
IV. MANDATORY RESERVES	30	41.784	60.359	61.073	69.147
Company own shares	31		33.333		
Gains related to equity instruments	32				
Losses related to equity instruments	33				

V. RETAINED EARNINGS					
CREDIT BALANCE	34	159.853	309.066	392.026	507.392
DEBIT BALANCE	35			0	

VI. PROFIT (LOSS) FOR THE YEAR					
CREDIT BALANCE	36	169.278	212.643	1.033.833	1.180.277
DEBIT BALANCE	37		0	0	
Profit allocation	38	10.572	18.575	18.840	8.074
SHAREHOLDERS EQUITY - TOTAL	39	661.593	864.743	1.919.780	3.100.057
Public patrimony	40				
CAPITAL - TOTAL	41	661.593	864.743	1.919.780	3.100.057

INCOME STATEMENT - PROFIT AND LOSS ACCOUNT

DESCRIPTION	ROW	31 DECEMBER 2013	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2016
		RON	RON	RON	RON
1. NET TURNOVER	1	6.666.337	8.179.532	9.992.994	13.694.914
Sold production	2	2.311.434	3.256.157	4.370.986	7.813.729
Revenues from sold merchandise	3	4.383.588	4.923.375	5.621.974	5.881.185
Commercial discounts	4	28.685			
Interest expenses recorded by entities removed from the general register and which have open leasing contracts	5				
Income from subsidies related to net turnover	6			34	

2.Revenues corresponding to production in progress (account 71)					
CREDIT BALANCE	7			71.913	
DEBIT BALANCE	8			0	25.540

3. Producția realizată de entitate pentru scopurile sale proprii și capitalizată	9				
4. Other operating revenues	10	152.102	154.354	492.263	78.650
- including revenues from negative goodwill	11				
OPERATING REVENUES – TOTAL	12	6.818.439	8.333.886	10.557.170	13.748.024

5. a) Expenses with raw materials and consumables	13	161.601	190.804	400.784	378.816
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Other expenses	14	95.329	77.022	145.942	189.694
b) Other expenses with utilities and water	15		615		
c) Goods for resale	16	3.690.347	4.459.307	5.149.093	4.959.338
Discounts received	17	3.872	18.462	489	357

6. Personnel expenses	18	433.489	436.073	574.947	957.792
a) Salaries	19	342.431	345.724	468.355	780.154
b) Social security contributions	20	91.058	90.349	106.592	177.638

7.a) Depreciation and amortization	21	164.182	169.327	153.268	114.304
a.1) Expenses	22	164.182	169.327	153.268	114.304
a.2) Revenues	23			0	
b) Adjustments related to current assets	24			1.573	
b.1) Expenses	25			1.573	
b.2) Revenues	26				

8. Other operating expenses	27	1.935.818	2.646.005	3.389.695	5.434.918
8.1. Expenses related to third parties	28	1.933.551	2.635.894	3.354.710	5.388.012
8.2. Expenses related to profit tax, other taxes and similar	29	26	80	3.621	1.360
8.3. Other expenses	30	2.241	10.031	31.364	45.546
Refinancing interest expense recorded by entities removed from the general register and having open leasing contracts	31				
Adjustments for provisions	32				
Expenses	33				

Revenues	34				
OPERATING EXPENSES - TOTAL	35	6.476.894	7.960.691	9.814.813	12.034.505
OPERATING PROFIT (LOSS)					
- Profit	36	341.545	373.195	742.357	1.713.519
- Loss	37	0	0	0	

9. Revenues from investments	38				
- including revenues from subsidiaries	39				
10. Revenues from other investments and loans part of the assets	40				
- including revenues from subsidiaries	41				
11. Interest revenues	42	958	309	2.280	2.262
- including revenues from subsidiaries	43				
Other financial revenues	44	35.915	39.544	710.403	98.865
FINANCIAL REVENUE – TOTAL	45	36.873	39.853	712.683	101.127

12. Value adjustments on financial assets and financial investments held as current assets	46				
- Expenses	47				
- Revenues	48				

13. Interest expenses	49	102.371	118.990	172.908	328.572
- including expenses to subsidiaries	50				
Other financial expenses	51	64.600	24.946	60.664	103.124
FINANCIAL EXPENSES -	52	166.971	143.936	233.572	431.696

TOTAL					
FINANCIAL PROFIT (LOSS):					
- Profit	53	0	0	479.111	
- Loss	54	130.098	104.083	0	330.569

14. PROFIT (LOSS) FROM ORDINARY ACTIVITIES:					
- Profit	55	211.447	269.112	1.221.468	1.382.950
- Loss	56	0	0	0	

15.Extraordinary Revenues	57				
16. Extraordinary expenses	58				
17. PROFIT (LOSS) FROM EXTRAORDINARY ACTIVITIES:					
- Profit	59	0	0		
- Loss	60	0	0		
TOTAL REVENUES	61	6.855.312	8.373.739	11.269.853	13.849.151
TOTAL EXPENSES	62	6.643.865	8.104.627	10.048.385	12.466.201
GROSS MARGIN / PROFIT BEFORE TAX					
- Profit	63	211.447	269.112	1.221.468	1.382.950
- Loss	64	0	0	0	0

18. Income Tax	65	42.169	56.469	187.635	202.673
19. Other taxes	66				
20. NET PROFIT (LOSS) FOR THE YEAR:					
- Profit	67	169.278	212.643	1.033.833	1.180.277
- Loss	68	0	0	0	

STATEMENT OF CASH FLOWS

DESCRIPTION	ROW	31 DECEMBER 2013	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2016
		RON	RON	RON	RON
+ Net profit	1	169.278	212.643	1.033.833	1.180.277
+Amortisation&provisions	2	164.182	169.327	153.268	114.304
- Change in inventory (-/+)	3	+ 15.596	+ 979.205	- 862.579	+ 276.268
- Change in receivables (-/+)	4	+ 1.887.028	- 772.675	+ 1.566.031	+2.683.655
+ Change in short-term liabilities (-/+)	5	+ 1.275.918	- 318.131	- 241.628	+33.916
+ Change in other liabilities (-/+)	6	- 37.424	+ 536.358	+ 229.333	+169.748

+= Cash flows from operating activities	7	- 327.670	+ 393.667	+ 471.354	-1.461.678
- Investments - total, of which:	8	325.442	206.735	119.031	90.984

+= Cash flows from investment activities	9	- 325.442	- 206.735	- 119.031	-90.984
+ Change in amounts owed to credit institutions (= -) - total of which:	10				
+ Short-term loans (under one year)	11		+ 734.774	+2.162.961	-2.150.320
+ Medium and long term loans	12		0	-242.658	+3.856.102

+= Cash flows from financial activities	13		+ 734.774	+ 1.920.303	+1.705.782
- Change in other asset (-/+)	14	+ 9.979	- 49.905	- 12.929	+500.646

+ Change in other liabilities (-/+)	15	+ 7.922	- 179.330	- 90.711	-305.269
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+= Cash flow from other activities	16	+ 69.743	- 129.425	- 77.782	805.915
+ Cash of Opening balance	17	604.032	20.663	812.944	3.007.788

+= Net cash	18	- 583.369	+ 792.281	+ 2.194.844	-652.795
+ Cash of Closing balance	19	20.663	812.944	3.007.788	2.354.993

STATEMENT OF CHANGES IN SHAREHOLDER CPAITAL until 31.12.2016

Denumirea elementului		Sold la Inceputul exercitiulu i financiar	Cresteri		Reduceri		Sold la sfarsitul exercitiulu i financiar
			Total, din care:	Prin transfer	Total, din care:	Prin transfe r	
Capital subscris		450.438	900.877				1.351.315
Patrimoniul regiei							
Prime de capital		1.250			1.205		
Rezerve din reevaluare							
Rezerve legale		61.073	8.074				69.147
Rezerve statutare sau contractuale							
Rezerve reprezentand surplusul realizat din rezerve din reevaluare							
Alte rezerve							
Actiuni proprii							
Castiguri legate de instrumentele de capitaluri proprii							
Pierderi legate de instrumentele de capitaluri proprii							
Rezultat reportat reprezentand profitul sau pierderea neacoperita	Sold C Sold D	392.026	1.014.992		899.626		507.392
Rezultatul reportat provenit din adoptarea pentru prima data a IAS, mai putin IAS 29*32	Sold C Sold D						
Rezultatul reportat provenit din corectarea erorilor contabile	Sold C Sold D						
Rezultatul reportat provenit din trecerea la aplicarea reglementarilor contabile conforme cu Directiva a patra a comunitatilor Economice Europene	Sold C Sold D						
Profitul sau pierderea exercitiului financiar	Sold C Sold D	1.033.833	1.180.277		1.033.833		1.180.277
Repartizarea profitului	Sold C Sold D	18.840	8.074		18.840		8.074
Total capitaluri proprii		1.919.780	3.096.146		1.915.869		3.100.057

VI. Auditors report -FACSIMILE

RAPORTUL AUDITORULUI INDEPENDENT

Adresat Acționarilor Societății BITTNET SYSTEMS S.A. Bucuresti

Raport asupra Auditului Situațiilor Financiare

Opinie

1. Am auditat situațiile financiare ale societății BITTNET SYSTEMS S.A. care cuprind bilanțul la data de 31 decembrie 2016 și contul de profit și pierdere, situația modificărilor capitalurilor proprii și situația fluxurilor de trezorerie pentru exercițiul financiar încheiat la această data, și notele la situațiile financiare, inclusiv un sumar al politicilor contabile semnificative. Situațiile financiare menționate mai sus se referă la:

- Total capitaluri proprii: 3.100.057 lei
- Profitul net al exercițiului financiar: 1.180.277 lei

2. În opinia noastră, situațiile financiare anexate ale Societății sunt întocmite, sub toate aspectele semnificative și prezintă poziția financiară a Societății la 31 decembrie 2016, precum și performanța sa financiară, fluxurile de trezorerie, pentru anul încheiat la această dată, în conformitate cu Ordinul Ministrului Finanțelor Publice din România nr. 1802/2014 cu modificările ulterioare și Ordinul MFP 166/2017 privind principalele aspecte legate de întocmirea și depunerea situațiilor financiare anuale la unităților teritoriale ale M.F.P.

Opinia noastră este FARA REZERVE

Baza Opiniei

3. Am efectuat auditul nostru în conformitate cu Standardele Internaționale de Audit, adoptate de Camera Auditorilor Financieri din România ("ISA"). Conform acestor standarde, responsabilitatea noastră este descrisă în continuare în secțiunea Responsabilitățile Auditorului pentru Auditul Situațiilor Financiare din raportul nostru. Noi suntem independenți față de Societate, în conformitate cu Codul de Etică al Contabililor Profesioniști ("Codul IESBA") emis de Bordul Standardelor de Etică pentru Contabili împreună cu cerințele de etică relevante pentru auditul situațiilor financiare în România, și am îndeplinit celelalte responsabilități în ceea ce privește etica, în conformitate cu aceste cerințe și Codul IESBA. Considerăm că probele de audit pe care le-am obținut sunt suficiente și adecvate pentru a constitui baza opiniei noastre de audit.

Responsabilitățile Conducerii și ale celor responsabili de Situațiile Financiare

4. Conducerea este responsabilă de întocmirea și prezentarea fidelă a situațiilor financiare în conformitate cu OMF 1802 și pentru acel control intern pe care conducerea îl consideră necesar pentru a permite întocmirea de situații financiare care sunt lipsite de denaturări semnificative, cauzate fie de fraudă, fie de eroare.
5. În întocmirea situațiilor financiare, conducerea este responsabilă pentru evaluarea capacității Societății de a continua activitatea în baza principiului continuității activității, prezentând, după caz, aspecte legate de continuitatea activității și adecvarea utilizării principiului contabil al continuității activității, aceasta doar în cazul în care conducerea nu intenționează să lichideze Societatea sau să înceteze operațiunile acesteia sau nu are altă variantă realistă în afara acestora.
6. Persoanele însărcinate cu guvernarea au responsabilitatea pentru supravegherea procesului de raportare financiară al Societății.

Responsabilitățile Auditorului pentru Auditul Situațiilor Financiare

7. Obiectivele noastre constau în obținerea unei asigurări rezonabile privind măsura în care situațiile financiare, în ansamblu, sunt lipsite de denaturări semnificative, cauzate fie de fraudă, fie de eroare, precum și în emiterea unui raport al auditorului care include opinia noastră. Asigurarea rezonabilă reprezintă un nivel ridicat de asigurare, dar nu este o garanție a faptului că un audit desfășurat în conformitate cu ISA-urile va detecta întotdeauna o denaturare semnificativă, dacă aceasta există. Denaturările pot fi cauzate fie de fraudă, fie de eroare și sunt considerate semnificative dacă se poate preconiza, în mod rezonabil, că acestea, individual sau cumulativ, vor influența deciziile economice ale

utilizatorilor, luate în baza acestor situații financiare.

Ca parte a unui audit în conformitate cu ISA-urile, exercităm raționamentul profesional și menținem scepticismul profesional pe parcursul auditului. De asemenea:

- Identificăm și evaluăm riscurile de denaturare semnificativă a situațiilor financiare, cauzată fie de fraudă, fie de eroare, proiectăm și executăm proceduri de audit ca răspuns la respectivele riscuri și obținem probe de audit suficiente și adecvate pentru a furniza o bază pentru opinia noastră. Riscul de nedetectare a unei denaturări semnificative cauzată de fraudă este mai ridicat decât cel de nedetectare a unei denaturări semnificative cauzată de eroare, deoarece fraudă poate presupune înțelegeri secrete, fals, omisiuni intenționate, declarații false și evitarea controlului intern ;
- Înțelegem controlul intern relevant pentru audit, în vederea proiectării de proceduri de audit adecvate circumstanțelor, dar fără a avea scopul de a exprima o opinie asupra eficacității controlului intern al Companiei ;
- Evaluăm gradul de adecvare a politicilor contabile utilizate și caracterul rezonabil al estimărilor contabile și al prezentărilor aferente realizate de către conducere ;
- Formulăm o concluzie cu privire la gradul de adecvare a utilizării de către conducere a contabilității pe baza continuității activității și determinăm, pe baza probelor de audit obținute, dacă există o incertitudine semnificativă cu privire la evenimente sau condiții care ar putea genera îndoeli semnificative privind capacitatea Companiei de a-și continua activitatea. În cazul în care concluzionăm că există o incertitudine semnificativă, trebuie să atragem atenția în raportul auditorului asupra prezentărilor aferente din situațiile financiare sau, în cazul în care aceste prezentări sunt neadecvate, să ne modificăm opinia. Concluziile noastre se bazează pe probele de audit obținute până la data raportului auditorului. Cu toate acestea, evenimente sau condiții viitoare pot determina Compania să nu își mai desfășoare activitatea în baza principiului continuității activității.
- Comunicăm persoanelor responsabile cu guvernanța, printre alte aspecte, aria planificată și programarea în timp a auditului, precum și principalele constatări ale auditului, inclusiv orice deficiențe ale controlului intern pe care le identificăm pe parcursul auditului.

Raport asupra raportului administratorilor

8. Administratorii sunt responsabili pentru întocmirea și prezentarea raportului administratorilor în conformitate cu cerințele OMF 1802, punctele 489-492, raport care să nu conțină denaturări semnificative, și pentru acel control intern pe care conducerea îl consideră necesar pentru a permite întocmirea raportului administratorilor care să nu conțină denaturări semnificative, cauzate de fraudă sau eroare. Raportul administratorilor prezentat în anexă nu face parte din situațiile financiare. Opinia noastră asupra situațiilor financiare nu acoperă raportul administratorilor.
9. În legătură cu auditul nostru privind situațiile financiare, noi am citit raportul administratorilor anexat situațiilor financiare și raportăm că:
 - a) în raportul administratorilor nu am identificat informații care să nu fie consecvente, în toate aspectele semnificative, cu informațiile prezentate în situațiile financiare;
 - b) raportul administratorilor include, în toate aspectele semnificative, informațiile cerute de OMF 1802, punctele 489-492;
 - c) pe baza cunoștințelor și înțelegerii noastre cu privire la Societate și la mediul acesteia, dobândite în cursul auditului situațiilor financiare pentru exercițiul financiar încheiat la data de 31 decembrie 2016, nu am identificat informații incluse în raportul administratorilor care să fie eronate semnificativ.

S.C. ACE – CONSULT S.R.L - Autorizație CAFR 523/2004

Prin - Francu Constantin

Auditor financiar înregistrat la Camera Auditorilor Financiari din România cu nr. 964/2001

Sibiu, 21 martie 2017

VII. Corporate Governance Principles

Board of Directors Responsibilities		
	Section A - mandatory provision	Section B - fulfillment model
A.	The role of the Board of Directors (Board) must be clearly defined and based on articles of association of the Company, in the internal regulations and / or other similar documents.	The incorporation paper of the company clearly states the duties of the administrator. The Company is managed by a single administrator, not a Board of Directors.
A.1.	The company should have an internal regulation of the Board which includes terms of reference for the Board and the key management functions of the company. The conflict of interests at the Board level should also be presented in the Board's regulation.	The Company is not managed by the Board but by the sole administrator. Both in the chapter Company Management from the Annual Report and on the Company's website, in the area of CV's can be found details of all interests the administrator has.
A.2.	A Board member's other professional commitments, including executive and non-executive Board positions in companies (excluding the company's subsidiaries) and non-profit institutions, should be disclosed to the Board before appointment and during his/her mandate.	Both in the chapter of Company Management (in the Annual Report) and on the company's website, (in the area of 'CV' s) detailing all interests of the administrator. The interests are detailed (in Annual Reporta and on the website) and applied for all members of the Advisory Board.
A.3.	Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly shares representing not less than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	Both in the chapter of Company Management (in the Annual Report) and on the company's website, (in the area of 'CV' s) detailing all interests of the administrator. The interests are detailed (in Annual Reporta and on the website) and applied for all members of the Advisory Board.
A.4.	The annual report should inform on whether an evaluation of the Board has taken place under the leadership of the chairman. It should also include the number of the meetings of the Board.	Not applied - The Company is manage by a single administrator.
A.5.	The procedure regarding the cooperation with the Authorized Consultant for the period in which this cooperation is imposed by the Bucharest Stock Exchange, will	The Company is beyond the mandatory cooperation period. The company had maintained the required contract and cooperation procedure in full during the

	contain at least the following:	mandatory period. The present chapter is now unaplicable to the Company.
A.5.1.	The contact person with the Authorized Consultant;	
A.5.2.	Frequent meetings with the Authorized Consultant (which will be at least once a month or whenever events or new information involves transmitting current reports), so still Authorised Consultant can be consulted;	
A.5.3.	The obligation to informe the Authorised Consultant with all reports and any information that reasonably require to fulfill his responsibilities;	
A.5.4.	The obligation to informe Bucharest Stock Exchange regarding any disfunctions in cooperation with Authorized Consultant, or changing of the Authorized Consultant.	
Section B - Internal Control System		
B.1.	The Board should adopt a policy ensuring that any transaction of the company with any of its subsidiaries that is equal to or more than 5% of the net assets of the company as stated in the latest financial report should be approved by the Board.	The Company has no subsidiaries. During 2015 the company has not signed contracts or transactions with subsidiaries.
B.2.	The internal audit should be carried out by a separate structural division (internal audit department) within the company or through retaining an independent third-party entity which should report to the Board, while within the company, it should report directly to the CEO.	The internal audit is conducted by the CFO, and the company's independent audit by the external auditor.
Section C - Fair rewards and motivation		
C.1.	The company should publish in its annual report a remuneration report including the total revenues for the Board members and the CEO for the past financial year and the total value of any bonus payments or other variable compensations and also the key assumptions and guidelines for calculating the above revenues.	<p>The Company is managed by a single administrator, not a Board of Directors. During 2015, the Administrator has not been paid.</p> <p>The company will propose to the General Shareholders Meeting financial compensation for the Administrator starting 2016.</p>

Section D - Building value through Investors Relations		
D.1.	In addition to information required by legal provisions, the corporate website should have a dedicated Investors Relation section, both in Romanian and English, with all relevant information of interest for investors, including:	All the Company's reports are made available both in Romanian and English
D.1.1.	Principal corporate regulations, in particular the articles of association and internal regulations of its governing bodies	The document can be found on the website
D.1.2.	Professional CVs of the members of its governing bodies	The CVs are published on the website
D.1.3.	Current reports and also periodic reports	All reports can be found on the website after they are published on Bucharest Stock Exchange.
D.1.4.	Information related to general meetings of shareholders: agenda and the materials sustaining the agenda of the meeting; the resolutions of the general meetings	Information about General Meeting of Shareholders will be available on the website
D.1.5.	Information on corporate events, such as payment of the dividends, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles of such operations	Information will be available on the website when necessary
D.1.6	Other extraordinary information that should to be provided: the break down/ change/ start of cooperation with an Authorized Adviser (AA); the signing/ renewal/ termination of agreement with a Market Maker.	Information will be available on the website when necessary
D.1.7.	The company should have an investors relations function (IR), and will include on the IR section of the company's website the name and contact data of a person who should be able to provide knowledgeable information on request.	Information are published on the website
D.2.	A company should have adopted a dividend policy of the company, as a set of directions related to the distribution of net profit that	Information are published on the website and in the Annual Report

	the company declares to follow. The dividend policy principles should be published on the corporate website.	
D.3.	A company should have adopted a policy with respect to forecasts, whether it would be distributed or not. Forecast means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called, assumptions). The policy should provide for the frequency, the period envisaged and content of forecasts. Forecasts, if published, may only be part of annual, half-yearly or quarterly reports. The forecast policy should be published on the corporate website.	<p>The policy has been published on the website.</p> <p>The Company aims to provide annual financial forecast upon condition of feasible planning terms. The financial forecast will be published once a year in the annual report and on the corporate website and will include both revenues and operational and gross / net profit data.</p>
D.4.	A company should set the date and place of a general meeting so as to enable the participation of the highest possible number of shareholders.	The Company will organise the General Meeting of Shareholders at the company's headquarters, during working days
D.5.	The financial reports should include information in both Romanian and English as regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators.	All Company's financial reports are published in both Romanian and English
D.6.	The company should organize at least one meeting/conference call with analysts and investors each year. The information presented on these occasions should be published in the IR section of the website of the company at the time of the meeting/conference call.	<p>The Company will organize a meeting with analysts / investors.</p> <p>The recording of the conference call will be found on the website.</p>

VIII. Signatures

The report shall be signed by the representative authorized by the Board of Directors, by the manager/CEO and by the company's chief accountant.

Where the company owns branches the information shown in the annual report shall be presented both in connection with each of the branches and in connection with the company as a whole.

The annual report shall be accompanied by copies of the following documents:

- a) the company's documents of incorporation, if they have been altered during the year for which the report has been drawn up;
- b) important contracts concluded by the company during the year for which the report has been drawn up;
- c) resignation/dismissal papers, if any, involving administration and executive management members, financial revisers;
- d) list of the company's branches and companies controlled;
- e) list of the company's related parties.

ADMINISTRATOR - MIHAI LOGOFATU

CFO - CRISTIAN LOGOFATU