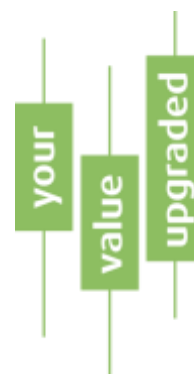


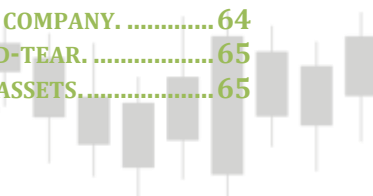
2018 ANNUAL REPORT

Annual report in accordance with	Annex 15 from ASF Regulation NR. 5/2018
For financial period	01.01.2018 - 31.12.2018
Report date	23 martie 2019
Company name	BITTNET SYSTEMS S.A.
Registered Office	Soimus Str. no. 23, bl 2, ap. 24, Sector 4, Bucharest
Correspondence address	Timisoara Bd. no. 26, Plaza Romania Offices Building, 1 st Floor, Sector 6, Bucharest
Telephone / Fax Number	021.527.16.00 / 021.527.16.98
Fiscal Code at the Trade Registry Office	21181848
Trade Registry Office Number	J40/3752/2007
Market on which the securities are traded	AeRO ATS Premium
Subscribed and paid up share capital	5.175.523,8 RON
Main characteristics of the securities issued by the company	51.755.238 common shares at the nominal value of 0.10 RON per share ¹
Symbol (BSE)	BNET – shares BNET22, BNET23, BNET23A, BNET23C – bonds
ISIN Code	ROBNETACNOR1
Contact	investors@bittnet.ro



¹ At the publishing time of this report, the Company is in progress with a capital increase operation, registered by the Trade Registry but for which the certificate (CIVM) has not yet been issued by the FSA. The share capital registered with the Trade Register is RON 5,523,320.50 divided into 55,233,205 shares.

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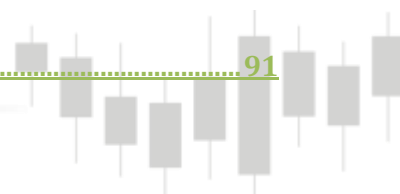
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Letter from the Bittnet Group CEO, Mihai Logofatu

On February 22nd, 2007, 12 years ago, together with my brother Cristian, we begun building the Bittnet story. We started as a company offering IT training and IT&C communication solutions for corporate clients. We always liked to underline how important has been to us the trust with which we have been awarded thought these years by our clients and business partners and a bit later in our journey – our shareholders. The latter group has been especially supportive to us in the course of last year, 2018, when with the help of the capital obtained through the local capital market, we were able to initiate, and finalize, many ambitious goals that helped us turn what was initially known as 'Bittnet Systems' into a Group of companies with more than 100 employees and collaborators, expecting revenues of over RON 100 million in 2019.

We thus begun 2019 as a medium-sized company, with a group structure and professional, independent management, active in the field of Technology and Education. Bittnet remains the leader in the IT training market, while Equatorial owns intellectual property - being the first mobile platform for gamification of learning (game-based learning or gamified learning), Elian is one of the Microsoft Gold Level ERP systems partners in Romania, and Dendrio is the first integrator of multi-cloud hybrid solution for businesses. The investment from the end of 2018, namely the consolidation of the IT&C integration market through executing business transfer from Crescendo, positions Dendrio as one of the most prominent IT&C integrators in Romania.

We are proud to unite 120 employees and collaborators, who work for one of our five companies, axated on two main business divisions – education and technology. Today, Bittnet Group encompasses brands and companies such as Bittnet Training, Equatorial, Credis, Dendrio as well as Elian. We are a complex organization that is still undergoing a process of consolidation and adaptation but I can proudly say that we remain dedicated to the exact same values and business principles like honesty, transparency and flexibility in terms of performance and competence, that we have shared with Cristian and our first Colleagues already at the beginning of our entrepreneurial journey, 12 years ago.

Before we dive into the subject of our new Group structure and the changes that we have been implementing in the course of past 12 months, I would like to share with you the key financial indicators from the last year. Yet again our team has managed to close the best year in its history – both in terms of revenues as well as profits. In 2018 we have registered consolidated revenues of RON 53 million, a growth of approximately 21% when compared to 2017. In terms of profit, we have reached RON 5,8 million in gross profit, which means that the profitability has almost tripled compared to 2017. The increase in the revenues was supported by IT&C integration business line, which grew by 10% compared to 2017 and Cloud, which registered a growth of 60% compared to 2017. Here I would like to underline the performance that was generated by the individual companies from our group, which all ended the year on profit. In case of Dendrio, the profit overpassed RON 1 million. It is important to remember that 2017 was the first year that the company registered profit after 3 fiscal years of registered losses.

The economic cycle and the capital markets were favorable to Bittnet and in 2018, the following quote from our last year's report is still very relevant:

Just like it was in previous years, I feel the need to start this letter by sharing my enthusiasm when looking back at the latest fiscal year and affirming, yet again, that 'last year, was the best year in the history of the company'. Surely, there will come a day when we will no longer be able to make this statement, but the management, together with the whole team, is dedicated to delaying such moment as much as possible [...]



we could dare to say that today, we are a mature company that has surpassed the average life of a Romanian business and that is the market leader in the field in which it operates. We believe that all of the previous results come as a consequence of our efforts and are important, but it is more important to focus on the future, because the Bittnet story has much more ‘ahead’ than ‘behind’.

The company's capitalization followed the same trend of correlation with the turnover that we have seen since the 2015 listing. In 2018, Bittnet shareholders registered an increase in their investment value of over 55% (well above the evolution of BET index). These values are not necessarily relevant unless analyzed in the context of liquidity, and in 2018 Bittnet was the most traded share of the AeRO market, an accomplishment for which we received an award at the Broker's Association Gala in December 2018. The number of transactions with BNET shares in 2018 was over 3500, with a total volume of 4.5 million lei, that is 35% of free float².

But as the most successful investors say, management should not focus on the price of shares as it reflects the opinion of the market about the evolution and perspectives of the company; there has to be directed the attention of the whole team. 2018 will go down in Bittnet's history as a year when we significantly grew our organization. We started 2018 by continuing the integration of the former Gecad Net team by migrating into a group structure with two companies in the group – Bittnet Training and Dendrio. This process has generated more positive results than we initially expected, one of them being the fact that we could easily and clearly confirm our conviction that the Romanian IT market needs to be strengthened. Thus, in 2018, three new investment projects were born, expanding further our Group's coverage in the two key areas of our activity: education and technology, which materialized through our investments in Elian Solutions and Equatorial Gaming and the business transfer of the IT&C division of Crescendo International into Dendrio. Having realized 3 major M&A transactions in the course of last 12 months, we look forward to dedicating 2019 to consolidating our business position as well as focusing on the integration of all the new business lines in our activity.

In line with the process of integrating the new brands in our Group, such as Dendrio, Equatorial as well as Elian, we have introduced a new organizational chart. The two major changes that it brings are the promotions of two of our senior directors, Cristian Herghelegiu, CEO of Dendrio as well as Dan Berteanu, the founder of Equatorial. As of January 2019, Cristian Herghelegiu has taken over the position of Vice-President of Bittnet Group responsible for Technology, meaning that he overlooks all the activity within the group that is related to IT&C integration and other technological process. Dan Berteanu on the other hand was promoted to the position of Vice-President for Education at Bittnet Group and will be responsible for implementing the strategy for Bittnet Training, Equatorial as well as Credis Academy. For more information about our new business structure as well as further information about the organizational chart, I would like to invite you to read Chapter “General Information about the Issuer”, which provides further details about this subject.

Talking about Bittnet people, who are actually the most important and valuable characteristic of our business, I need to underline that today, Bittnet Group consists of exceptional professionals and experts in their fields. Thanks to our M&A activity, we have managed to create an exceptional pool of talent that is currently engaged in all of our key projects. Today, our IT infrastructure, sales team, technical team and unified

² This volume excludes DEAL or management transactions.



operations team are all aligned, allowing us to enjoy economies of scale as well as addressing both customers and suppliers under the 'One Single Organization' motto. By investing in Dendrio in 2017, we have gained professional management both for the integration division (VP of Technology, Cristian Hergehelegiu) and sales team (Sales Manager) and by investing in Equatorial, we gained professional management for the education division (VP of Education, Dan Berteanu). Overall, 2018 was a very good year for attracting talent into our Group.

The investment in Crescendo's integration division has brought us not only 40 new colleagues to Dendrio, but a remarkable operational management with a successful history of nearly 20 years, which in practice has allowed us to double the size of management and execution capabilities in both the technical, marketing and HR team, as well as develop new pre-sales and business development capabilities that did not previously exist in the group. With such a team, we are very confident for 2019!

Operating at a larger scale brings many advantages, one of the most important being offering opportunities to expand our teams' professional competences. Today, Bittnet Group consists of over 120 professionals who have joined our entrepreneurial journey, enjoying the development opportunities in both areas of our activity - education and technology. In a situation where the competition for talent is as fierce as it is now in the IT field in Romania, we believe this will be one of the key differentiators for Bittnet Group in the coming years that will help us retain the best people.

On February 6th, 2019, we have announced a new capital increase, which will serve as a tool to implement the Stock Option Plan that was approved by Bittnet's AGA from April 2016. We are pleased to mention that this is the first time in the history of the Romanian capital market when a SOP of the company is realized through a capital increase, not through the share buyback and we hope that in the coming years, also other entrepreneurial companies listed on BVB will follow our footsteps. Most probably later this year, in July 2019, will take place a new capital increase in order to complete the second edition of Bittnet's key employee reward program, SOP2017.

Coming back to the subject of our M&A activity, all 3 investments that we finalized in 2018 fit 'bolt on' with the two areas of activity of Bittnet Group - education and technology - and aim to strengthen our position on local and international markets. When we talk about education, or rather technology education, it is crucial to underline that estimated 100 billion euro are spent every year in Europe on training programs. Bittnet has started as a company specialized in delivering IT trainings and through the years, has managed to become a leader in this domain in Romania. We have benefitted from the leadership position on the Romanian IT training market, but we also have recognized that in order to stay ahead and keep building our position, we need to constantly bring new solutions to our clients. Our investment in Equatorial Gaming aims to serve these exact purposes and is in line with our Group's 2018-2020 growth strategy, in the 'education' area. As technology evolves, so does the manner in which adults learn. With Equatorial being part of Bittnet Group, we will enlarge our education portfolio with proprietary products, which are innovative and oriented towards future and that will surely bring a positive difference to our clients.

For the technology part, the goal of Dendrio is to be the leader of the multi-cloud integration market in Romania and abroad, offering comprehensive and complex solutions (from structured cabling, network infrastructure, servers and PCs, wireless, teleconferencing, computer security, operating systems, antivirus, productivity applications to ERP) hosted both 'on-premise' and 'managed services' and hosted in public cloud-capable public infrastructures. Elian Solutions' portfolio perfectly completes the IT services and secured hybrid cloud solutions portfolio of Dendrio. The typology of the projects on which we have collaborated with Elian in the course of last 3 years is the same one as the strategy on which Dendrio is concentrated for years

2018-2020: turnkey projects, high value-added IT solutions, delivered as-a-service, with hybrid infrastructures (on premise and in the cloud), which ensure scalability and resilience in similar or lower cost conditions. With Elian Solutions being Microsoft's only Gold Certified Partner in Romania for integrating ERP systems based on Microsoft NAV technology, our group strengthens our competitive position by adding a third Gold Certification to the portfolio, alongside Cisco Gold Partner and Microsoft Gold (Cloud Platform & Cloud Productivity) titles.

On the other side, the consolidation of the IT&C division of Crescendo International into Dendrio will help us to further strengthen our position in Romania, to enter foreign markets and to extend their delivery capacity to the CEE level. As a result of the merger, Dendrio benefits from a stable business structure, extended personnel as well as enlarged portfolio of customers, products and services. Thanks to the merger with Crescendo, we estimate that by the end of 2019, the Bittnet Group will reach RON 120 million in consolidated revenues, surpassing RON 100 million – a revenue goal for 2020 that we have set for ourselves last year.

I have been saying for several years that the IT&C market has to be strengthened and in both 2017 and 2018 we have been active in this area. This trend was also recognized by others, as we could have seen some major transactions on the Romanian markets, such as the acquisition of Brinel by SNEF or the acquisition of SoftVision by global giant, Cognizant. We believe that the IT services market must follow the same trends that nowadays characterize the global economy, in this case the most relevant being the consolidation and the 'uberization' - that is the transformation into platforms and the gig economy.

These two seemingly contradictory tendencies have arisen and continue to exist because of a common goal and a natural evolution trend at the human level of society: the need for quality. This need takes several forms - for customers, the need for quality takes two aspects: timely and within budget delivery (as Jeff Bezos says, "there is no customer who does not prefer faster << and >> cheaper <<") of functional solutions that ensure productivity, collaboration, mobility and security.

On the other hand, for the staff, employers or, in the future, freelancers, the need for quality takes on two aspects that also seem contradictory: the need for security versus the need for freedom - to choose how to fill your time, to select your projects with which you want to be associated, to have free time for yourself and your loved ones, provided that you have money to fund those moments.

As more people understand that security comes from independence (contractual and financial), and customers understand that the value of paying just for what they consume, the evolution to the platforms and the 'gig economy' is on the way. Players who will understand this and will consolidate themselves to be first movers in this direction have the greater chance of being the 'winners' of this new mega-wave. We believe that the platform we have built so far is well positioned to be one of the cores of this consolidation, at least at national and regional level.

An important note about the end of 2018 is that we have been able to identify the technical solution to address one of the risk elements that the company has had over the past 4 years. It is about the fact that until 2019, the "Bittnet" brand was not owned by the company - the historical situation with which we started our journey on the public markets. In previous years we have promised our shareholders that we will look for a solution to this problem, a solution which would not impose any cost on the minority shareholders who joined the company after 2015. During 2018 we succeeded in achieving this goal as the company has finally acquired the trademark from its holder for RON 5.8 million, the value established in an assessment report prepared by an independent certified assessor. The founders took over the burden of the company's debt to the owner of the brand in person, thus generating zero costs for the company nor for the minority shareholders. This operation, together with the completion of the first Stock Option Plan, voted by the

general assembly in April 2016, generated an increase in the Group's assets by almost RON 10 million. If we also add the investment in Crescendo's IT&C integration division, the Group's fixed assets exceeded RON 20 million - a significant increase, especially taking into account the "light asset" characteristic of the IT domain.

Apart from delivering the financial results, we remain committed to delivering the highest levels of transparency and openness towards our investors and we are pleased that in 2018, our efforts in this regard were recognized twice – first by the Bucharest Stock Exchange, which in February 2019 recognized Bittnet during the 2018 Capital Markets Awards and designated us as the company with the most active use of capital markets instruments, and secondly by the jury of 35 international capital markets experts and professionals, who awarded us with first prize for the 'Best IR department in the Central and Eastern Europe'. Humbled by these recognitions we are also extremely proud to be considered a company of reference in terms of our capital markets presence not only in Romania, but also in the region. We believe this is a good sign ahead of Bittnet's transfer to BVB's Main Market, which was approved by our shareholders during our December AGEA. We expect for the formal transfer to take place at the end of this year, subject to specific market conditions and we expect to communicate further details as we begin preparing for this significant event.

Similar to last year, I would like to finish this letter by inviting you all – our shareholders, future investors, representatives of the capital markets institutions as well as journalists – to Bittnet's 2019 Investor Day, which will take place on April 17th, 2019. Following the success of the last year's first edition, we are looking forward to welcoming you all at our offices and to bringing you yet one step closer to our universe by sharing with you our results, plans as well as objectives for the coming period. We hope you will all join us numerously!

Mihai Logofatu

CEO Bittnet Group



Analysis of the activity of Bittnet Systems (the company)

Specification of the date of establishment of company

Bittnet was founded in 2007 by Mihai and Cristian Logofătu, both of whom are still occupying leadership positions within the company. From its early beginnings, Bittnet was focused on delivering IT training and integrated network solutions, based on the technologies of the market leaders like Cisco, Microsoft, Dell, Oracle, HP, VMware, Google, Amazon Web Services, etc.

In February 2009, the company changed its legal status into a joint-stock company (SA), following an increase of share capital, using profits generated in 2008. In 2012, the company had another capital infusion received from business angel Razvan Capatina, who still remains a significant shareholder of the company.

Since March 2015, Bittnet is listed on AeRO market of the Bucharest Stock Exchange with ticker BNET. Bittnet was the first IT company to ever list on the BVB, following an infusion of EUR 150K into the company, received from Polish fund Carpathia Capital SA in exchange for 10% stake. Since then, Bittnet has been actively using capital markets mechanisms in order to grow and develop, having already successfully placed five bonds issues, 2016, 2017, 2018 (twice) and in 2019. In almost 4 years since listing on the Bucharest Stock Exchange, Bittnet has attracted more than EUR 10 million using capital market financing mechanisms (corporate bonds, capitalization of profits, capital increases, etc.), with part of the capital being used for fueling M&A activity. Since 2016, the company has followed the patented success model of Banca Transilvania, distributing to the shareholders the accrued profits in the form of free shares, and consistently growing its share capital through the years.

In 2016, the company has created a new area of competence by introducing consultancy and cloud migration services. As a result, thereof, Bittnet has launched a number client-engaging actions strictly for this range of services, targeting a new group clients, with a slightly different profile. Throughout 2017, the company continued to invest in increasing and diversifying the technical competencies specific to AWS and Azure in order to be able to respond to incoming requests.

The company's founders have always believed that the Romanian IT market needs to be strengthened and consolidated. This is why in the course of 2017 the company has identified the first opportunity to act in this direction and acquired GECAD NET from Radu Georgescu. The process of acquiring and the subsequent turnaround was a success as following the acquisition, at the end of 2017, GECAD has ended the year on profit for the first time in 3 years. In the first half of 2018, GECAD Net rebranded to Dendrio Solutions. Today, Dendrio is the only "multi-cloud" integrator in Romania, having a consolidated position as a highly certified company by the world's leading IT vendors focusing on cloud and cybersecurity.

In April 2018, Bittnet has adopted the Group structure and restructured the business, which is nowadays based on two key vectors:

- Education, which currently consists of IT training segment where Bittnet Training is a market leader.
- Technology, which will be focused on IT integration services, offering integration solutions that were previously offered by both, Bittnet and GECAD NET. This activity will have a shared products, services



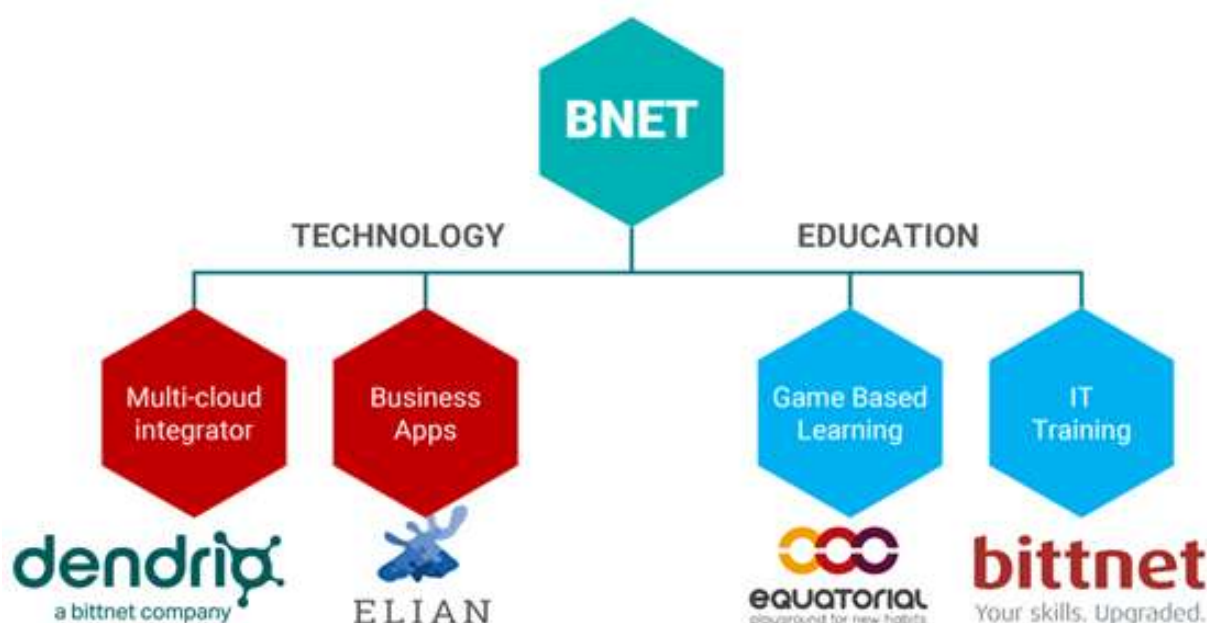
and solutions portfolio and a larger team that allows for bigger workload, both from technical and sales standpoint.

Soon after announcing the new structure, Bittnet has announced two new acquisitions – purchasing of a majority stake in ERP solution provider, Elian Solution as well as game-based learning company, Equatorial Marathon. Following the acquisition, activities of Equatorial Solutions were integrated under ‘Education’ division while Elian completed the IT integration services offer by adding ERP solutions to the group’s portfolio. In October 2018, Bittnet has announced that it has successfully closed negotiations for purchasing the IT&C integration activities of Crescendo International SRL, a company with 25 years of experience in Romania and foreign markets. The activities of Crescendo were integrated in Dendrio and, as a result of the merger, the company was able to benefit from a more stable business structure, extended personnel as well as enlarged portfolio of customers, products and services.

Today, Bittnet Group has two key 2 divisions, education and technology. The company has a total of 120 employees and collaborators, who work in and for one of the 5 companies included in the group.

Description of key activities of the company – the group structure

Following two years of consistent acquisitions, Bittnet Group has undergone a major development – from a single company operating in two key areas of education and technology to a Group that now includes several organizations active in these two key areas of interest.



EDUCATION DIVISION, led by Dan Berteanu, Vice-President for Education at Bittnet Group

I. Bittnet Training - CUI 21181848

- Shareholding structure: mother-company, Bittnet Systems SA, which is listed on the stock exchange, which keeps at this moment the IT training activity
- Responsible: Dan Berteanu, VP of Education Bittnet Group
- Number of employees/collaborators: 45
- 2018 revenues: RON 26,480K, 21% growth compared to 2017³
- 2018 net profit: RON 3,676K, 131% growth compared to 2017
- Website: www.bittnet.ro, <https://bittnet.training>

Bittnet Training is the IT training market leader in Romania, with approximately 20 years of experience and the largest team of trainers in Romania. Throughout the years, the company has delivered more than 50,000 hours of IT training and currently has one of the most comprehensive and updated curricula in the CEE region. The trainings offered by Bittnet enable people's access to technology by teaching IT skills, from the basic (e.g.: Microsoft Office Suite), to the most advanced (Cloud, DevOps, Cybersecurity). The business training portfolio of Bittnet includes project management, IT services management, business intelligence, CRM, ERP, Agile etc.

Bittnet is certified as a training center licensed by the world's largest technology manufacturers, offering the largest training portfolio on the Romanian market: Cisco, Microsoft, Amazon Web Services, Oracle, ITIL, Citrix, etc. Through the partnerships at European level (LLPA - the Association of the Most Important Training Centers in the World), Global Knowledge, etc. Bittnet offers a portfolio of more than 1000 official courses, thus extending the vendor portfolio with names like VMWare, IBM, RedHat, etc.

Bittnet offers a wide range of IT courses. Each course can be sustained in two flexible modes: intensive (5 days a week, 8 hours a day) or mixed format (2/4/6 hour courses, depending on customer needs). Each student gets access to dedicated equipment, official curriculum, and online and offline exams.

Having the opportunity to deliver courses both in Romanian and in English, the company operates in a strategic partnership with Global Knowledge, the global leader of the IT training market. Starting in 2016, Bittnet has joined the largest association of training partners Microsoft - LLPA.

³ The turnover of Bittnet Systems S.A. in 2018 was RON 19 million, and revenue RON 26.5 million. In addition to the IT training activity, Bittnet also recorded IT integration and cloud revenues, which are allocated to the business line of Dendrio. Strictly IT training turnover was RON 8.28 million, an 3% increase vs 2017.



II. Equatorial Gaming SA – CUI 30582237

- Shareholding structure: 24,9989% Bittnet SA (with option to increase until 45%); rest - founders
- Responsible: Diana Rosetka, Managing Partner
- Number of employees/collaborators: 15
- 2018 revenues: RON 3,218K, 4x growth compared to 2017
- 2018 net profit: RON 217K, compared to losses of RON83K in 2017. The positive evolution of financial results has been helped by business transfer to the entity that the team has previously run, United Business Dynamics. If we look at "consolidated" financial results, Equatorial has seen a 11% increase in turnover. It is worth mentioning that Equatorial pays a 9% annual interest to Bittnet for a convertible loan of RON 1.05 million.
- Website: www.equatorial.ro, www.vrunners.com, www.equatorialmarathon.ro

Equatorial is specialized in designing and implementing experimental, game-based learning projects. The company designs and implements custom-made learning projects in the following areas: leadership, motivation & engagement, interpersonal relationships, communication and emotional intelligence. In 2015, the company has invented and launched Equatorial Marathon, an Alternate Reality Game for corporations, which increases the level of engagement and stimulates behavioral changes in employees. The product is available 24/7, on multiple devices and has been used for learning projects, conferences and academic masters in Romania, Poland, Italy and France.

Therefore, companies can launch through the Equatorial Marathon platform actions in order to improve the work environment, following the model of a marathon game. Employees become "runners" in a virtual marathon, gaining points (in meters) and consuming calories as they perform real-life tasks set by Equatorial consultants and HR departments of customers, tasks designed to achieve desirable results for the employer, like:

- Increasing interaction, engagement and collaboration between departments;
- Increasing sales team performance;
- Developing the managers and leaders of the organization;
- Increasing the number of individual study hours of topics relevant to the industry.

The Equatorial Marathon platform has been tested and confirmed by 28 companies and over 2500 participants between 2015 and 2017, including the Issuer in 2015. Following the success of the Equatorial Marathon website, Equatorial has decided to develop new learning products based on game, starting with a mobile platform, VRUNNERS. This platform starts from the lessons learned with the Marathon platform and makes the transition to the preferred consumer environment of today's technology: mobile devices.

From an operational point of view, 2018 was a good one for Equatorial:

- The company won prizes at the HR Excellence Awards Gala in April 2018;
- The company gamified event organised by Cariere, HR Play Tech, for the 4th consecutive year as well as gamified the LLPA Summit from Bordeaux;
- The company gamified ASE Master in HR for the third consecutive year;
- Secured contract with Raiffeisen Bank in the amount of EUR 150,000 which will finance the launch of game Catalizator (a business- focus and intraprenariat game) which will be available to be sold to other companies starting with October 2019;
- The company won an EU project with Renault, worth EUR 75,000



- The company signed the extension of a inter-company project with Engie-Renault-BRD for 2019, with a new series of students, the project being worth EUR 40,000

TECHNOLOGY DIVISION, led by Cristian Herghelegiu, Vice-President for Technology at Bittnet Group

III. Dendrio Solutions SRL – CUI 11973883

- Shareholding: 100% Bittnet SA
- Key responsible: Cristian Herghelegiu, CEO
- Number of employees/collaborators: 45
- 2018 revenues: RON 27,750K⁴, 27% growth compared to 2017
- 2018 net profit: RON 1,131K, 5x growth compared to 2017
- Website: www.dendrio.com

The IT solutions provided by Dendrio include general consultancy services, IT assessment services, implementation and migration services, maintenance and support services, infrastructure optimization services and IT training services. The company is the only "multi-cloud" integrator in Romania, consolidating its position as a highly certified company by the world's leading IT vendors, focusing on cloud and cybersecurity. As of December 31st, 2018, Dendrio also includes the IT&C division of the Crescendo International SRL that was acquired by Bittnet Group in Q4 2018.

Integrator business means that Dendrio offers to its clients solutions and services that they need, starting with the initial analysis, design, implementation and testing phase resulting in turnkey projects for companies with different IT needs:

- Network infrastructure (routing, switching, Wi-Fi, optimization, consulting);
- Cybersecurity (network security, datacenter security, user-device security, IPS, Advanced Malware Protection, Next Generation Firewall, security for e-mail and web);
- Network management (monitoring and alerting, centralized management, traffic analysis);
- Migration and cloud services (private, public and hybrid cloud, switching from one version to another, migration and relocation step-by-step);
- Virtualization and data center (computing, storage, networking, backup, virtualization platforms, VDI)
- Employee mobility, including Bring Your Own Device - BYOD;
- Communications and centralized collaboration (IP telephony, DECT phones, instant messaging, online presence, web conferences);
- Video conferencing, including telepresence (for desktops, offices, conference rooms, smartphones, tablets, notebooks and workstations, integration with smartboards);
- Software licenses (Microsoft, Adobe, Cisco, Bitdefender, Dell, VMware, Veeam);
- Maintenance and support services.

⁴ If we analyze the operational allocation of revenues by type of activity - the integration IT&C and the cloud amounted RON 39 million in 2018, with 4 mil than 2017. Part of this revenue was made by Bittnet Systems SA.



Dendrio is also capable of providing its clients also services based on the cloud:

- € Amazon Web Services
- € Microsoft Office 365
- € Microsoft Cloud provisioning si DevOps (Azure)
- € Cisco Cloud Infrastructure (Meraki)
- € Cloud infrastructure for video-conferences (Webex)
- € Cloud infrastructure for web security (ScanSafe)
- € Energy management through Cisco cloud (Cisco EnergyWise)
- € Google Apps

The competences of Dendrio team are certified at the highest level and are recognized by the vendors. The certifications include:

- € Cisco Certified Gold Partner
- € Cisco Advanced Collaboration Architecture Specialization
- € Cisco Advanced Data Center Architecture Specialization
- € Cisco Advanced Enterprise Networks Architecture Specialization
- € Cisco Advanced Security Architecture Specialization
- € Microsoft Cloud Partner
- € Microsoft Gold Partner
- € Dell SonicWall Preferred Partner
- € Citrix Silver Solution Advisor
- € Google Apps Authorized Reseller
- € Oracle Silver Partner
- € Jabra Registered Partner
- € Veeam System Integrator
- € Microsoft Gold Cloud Productivity
- € Microsoft Gold Cloud Platform
- € Microsoft Gold Small and Midmarket Cloud Solutions
- € Microsoft Silver Data Analytics
- € Microsoft Silver Datacenter
- € Autodesk Gold Partner
- € Kaspersky Platinum Partner
- € Adobe Gold Partner



IV. Elian Solutions SRL – CUI 23037351

- Shareholding structure: 51.0082% Bittnet SA, rest split equally between founders
- Responsible: Iulian Motoi, CEO
- Number of employees/collaborators: 15
- 2018 revenues: RON 3,983K, 10% growth compared to 2017
- 2018 net profit: RON 188K, 75% growth compared to 2017
- In 2018, for the first time, Elian begun to provide and deliver services abroad, to customers from 4 countries: Bulgaria, Croatia, Germany and the USA
- Website: www.elian-solutions.ro

Elian Solutions is specialized in providing implementation services for the Enterprise Resource Planning (ERP) solution, Microsoft Dynamics NAV. Elian is the only Gold Certificate partner for this solution of Microsoft in Romania. The solution implemented by Elian allows companies to know the status of their inventory, assets and liabilities as well as it helps predict, inter alia, the cash-flow and to trace the production processes.

The Elian team is working on finalizing the localization process for Romania of Microsoft's future integrated ERP - "Microsoft Dynamics 365 Business Central", to be released in March 2019 by Microsoft. It is intended that, by the end of first half of 2019, Elian will obtain from Microsoft the certification of Dynamics 365 Business Central localization solution.

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

Until 2016, the company did not undergo through any merger or reorganization. Starting with September 2017, following the approval of the General Meeting of Shareholders in April 26, 2017, the Company acquired a 100% stake in the company GECAD NET - CUI RO11973883. The acquisition was carried out in two stages, the participating in the increase in the share capital of GECAD NET followed by the transfer of all social parts, financed with the capital raised in a private placement of corporate bonds (BNET22).

During 2018, Gecad Net SRL underwent a rebranding process, being known today in the IT market under the new name Dendrio.

In 2018, the General Meeting of Shareholders approved the investment in Elian Solutions - CUI (23037351) - Bittnet acquiring a majority stake in a three-stage process that was finalized in September 2018. Also, in April 2018 GSM also approved the investment in Equatorial Gaming SA - Bittnet becoming a shareholder with a stake of approximately 25%, with the option to increase to 45% - operation completed in Q3 2018.

At the end of 2018, Dendrio Solutions - fully owned by Bittnet - took over the IT&C integration division from Crescendo International - a business deal valued at 10.9 million.



Description of acquisition and/or alienation of assets

In 2018, the issuer realized the following acquisition of assets:

- 51% of social capital of Elian Solutions SRL
- 25% of shares of Equatorial Gaming SA
- Bittnet brand from its holder

Dendrio Solutions realized the following significant acquisitions of actives:

- Business transfer from Crescendo International SRL
 - Fixed assets: RON 1.53 million;
 - Goodwill: RON 9.4 million.

During financial year 2018 no assets were alienated.

Description of the main results of the company's activity evaluation.

1.1. General evaluation elements

The financial results of the company confirm the management's approach to running the company according to the "accelerated growth" model. The below numbers are presented in RON.

In the course of 2018, and in the continuation of our business, the IT integration business line will be moved entirely to Dendrio Solutions, resulting in a drop in the individual figures of Bittnet Systems SA. That is why we consider it more relevant at this time to present the consolidated results at the group level.

	2016 Individual	2018 Individual	2017 Consolida ted	2018 Consolida ted	FY18 / FY17
Total revenues, out of which:	13,849	26,996	43,675	57,030	30.58%
Revenue related to trademark		5,895		5,895	
Revenues, out of which:	13,695	19,887	43,307	51,147	18.10%
IT Integration	8,251	11,048	33,626	40,053	20.14%
IT Training	5,405	8,280	8,078	8,280	2.50%
Cloud	905	1,440	1,603	2,557	59.51%
Total COGS	(6,315)	(16,027)	(32,305)	(38,029)	18.14%
Indirect Costs	(5,505)	(5,058)	(7,763)	(11,762)	38.41%

Operational Profit	1,825	(295)	3,028	1,344	-55.61%
Interest	(328)	(1,156)	(851)	(1,2456)	47.59%
Amortization	(114)	(66)	(99)	(180)	81.82%
Gross Profit	1,383	4,213	2,079	5,803	179.26%
Tax on profit	(225)	(538)	(318)	(794)	149.69%
Net Profit	1,158	3,676	1,760	5,009	+184.60%

As we are in a knowledge business, this 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 profit.

An extra peculiarity, resulting both from the business cycle and from the high fixed cost structure, is the profit concentration in Q4 (with the highest earnings). This particularity presents the risk that an amount of delays in the sales process (delays in the process of projects "closers") or delivery processes will generate the impossibility of recognizing some revenue in a given fiscal year, which may negatively affect the financial result. In 2018, there was a repeat of the situation from 2014, when some clients delayed (possibly deliberately) placing orders so they did not record their costs in the fiscal year 2018. These projects were not lost, but postponed to Q1 2019. Historically, these actions did not impeded the company's situation on the medium-term and it just had an effect on the total sales generated on closed projects until 31.12.2018. On the other hand, since the delivery of these negotiated projects in 2018 started in January 2019, it will generate a significant improvement in terms of ensuring profitability and cash flow stability for the first quarter of 2019.

We intend to pursue the same growth strategy in 2019, relying on the three pillars of growth:

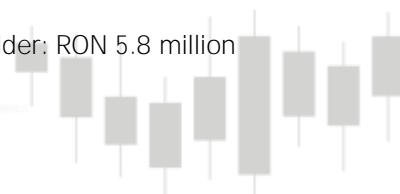
- capitalizing on industry trends: cloud, cyber security and "everything as a service";
- widening the product portfolio: upsell and cross-sell, a strategy strongly fueled by the Crescendo business transfer investment, but also by the two previous investments - Elian and Equatorial;
- capitalizing on the trend of 'uberising' services worldwide - aiming to migrate to a model of IT&C proficiency platform for both customers and suppliers, partners, freelancers.

Hybrid cloud services will continue to receive more attention from the entire team, and we want to deliver more cloud-related services in 2019, including "as a service" deliveries based on an IT or leased IT infrastructure, not to sell only hardware solutions. We intend to accelerate migration towards a managed services approach.

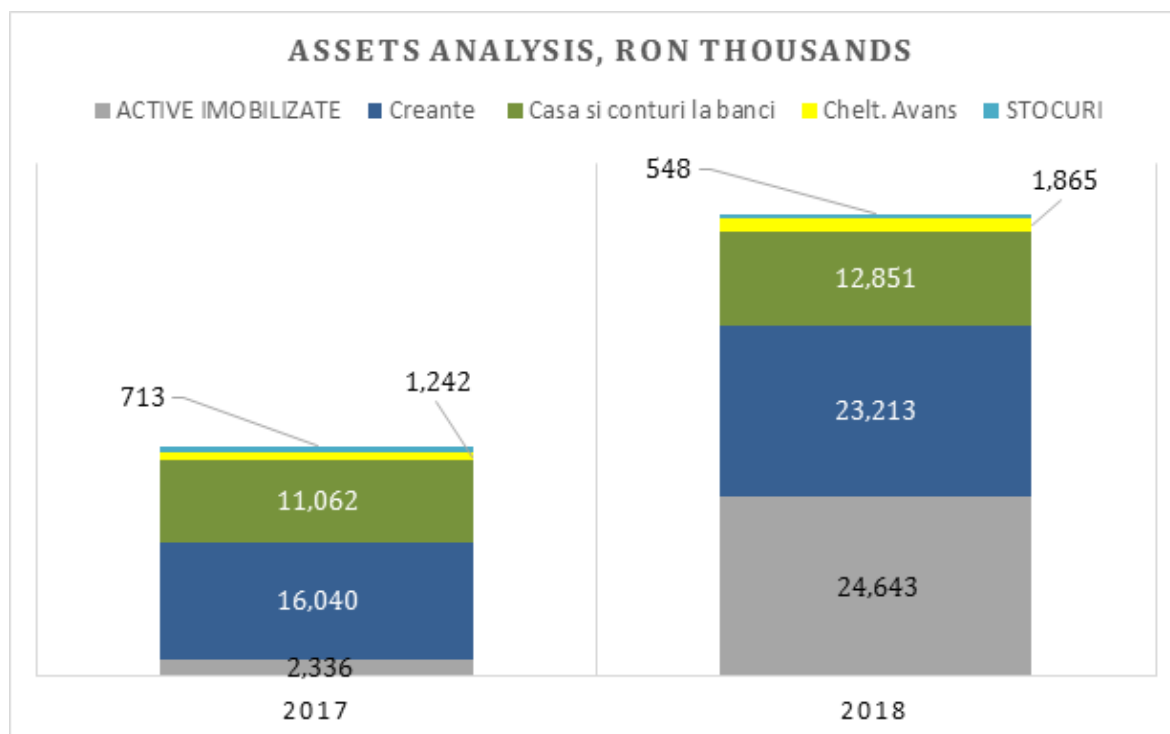
Assets Analysis

In 2018, the Group's consolidated assets increased significantly from RON 31.3 million to over RON 63 million lei, and resulted from the following significant events:

- Dendrio's investment in Crescendo IT&C integration division: an increase of RON 1.53 million in tangible assets and an increase of RON 9.37 million in intangible assets
- The acquisition of the "Bittnet" trademark by the parent company from its holder: RON 5.8 million



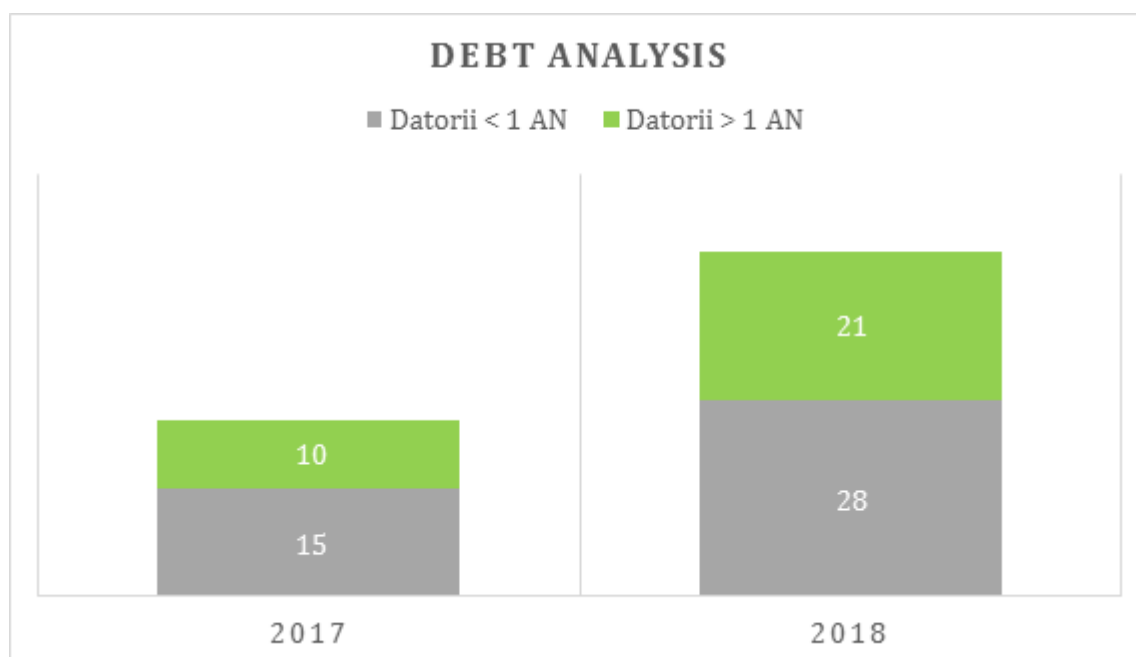
- Capitalizing the value of the incentive plan with options SOP 2016-2017, which generated the company's capital increase in February 2019: RON 3.9 million
- Bittnet's investment in Elian and Equatorial shares: RON 1.6 million
- Business growth, materialized in the increase of receivables: RON 7.3 million
- Increase of cash position: RON 1.8 million



Debt Analysis

The company continued to attract long-term funding sources. In total, the group's consolidated debts doubled, reaching RON 49 million. The long-term debt ratio increased from 39% to 43% of total debt, with debt maturities in 2022 and 2023. In other words, the company has these funds available for almost 4 years at an interest rate fixed at 9%, in RON currency.





The two bond issues in 2018 attracted a total of RON 14.4 million in "long-term debt" position. This amount were used to finance medium-term investments - the acquisition of Crescendo International's IT&C integration business line, and investments in Elian and Equatorial. In the case of short-term debt, they increased as a result of the following events:

- The maturity of RON 2.7 million bank overdraft credit (extended for a period of one year, according to the company's current report on February 13th 2019);
- Maturity of BNET19 bonds issue from long-term debts to short-term debts – RON 4.2 million. If we had recorded the early repayment in December, the proportion of long-term debt in total debt would have increased to 47% - the situation at the time of this report;
- The debt to option holders according to incentive plan SOP2016-2017 – RON 3.9 million. This debt has been reduced in Q1 2019 via the capital increase announced by the company in Current Report 10 – thus strengthening the capital of the company.

Debt Ratios

One of the discussions with potential investors is the rate of indebtedness. It can be calculated in several ways, of which we reproduce 2: "the ratio of assets financing with credit" and "net borrowed capital versus own capital".

The "ratio of financing assets via credit" approach has the advantage of being easy to calculate, achieving a simple and fast result. In Bittnet case, this ratio is 78% (RON 49 million loans vs RON 63 million total assets). Unfortunately, this report can often send an erroneous message. Thus, in our opinion, the fact that this formula ignores the availability times (credit maturities), not differentiating between the payment amounts to a bond issue of RON 10 million, made on December 27, 2018 due in December 2023, and the invoices of the suppliers due in January 15 2019, is a feature that makes it less useful to understand a company's financial situation.

At the same time, this formula does not differentiate between type assets, banking availability or invest in other company shares. Thus, a company with own capital of RON 1 million and borrowed capital of RON 1 million, having all the amounts fully disposed of in the accounts, has a financing degree of assets by 50%

credit. Instead, a company with RON 1,000 equity, receivables of RON 1100 and zero cash are listed with a zero-debt rate.

In our opinion, as the case of any other mathematical or economic formula, the definition of terms, "which elements we include in every formula," is very important, and significantly changes interpretation.

On December 30, 2018, the Bittnet group had the following debts:

- Banks - 9.2 million
- Bonds Issues – RON 23 million
- Suppliers – RON 10.85 million

The commercial debt (suppliers/vendors) was covered in 1.92: 1 by the amounts to be collected from the customers, RON 20.9 million. This ratio of customer invoices to suppliers' payables also illustrates the rationale for the existence and use of bank financing by the company - we pay suppliers on time or in advance to have a good reputation, and we offer payment terms to customers to win projects.

From the point of view of the availability of borrowed funds, bank financing is predominantly short-term - it is meant to cover working capital requirements, as in the case of BNET19 bonds, RON 4.2 million. On the other hand, bond issues BNET22, BNET23, BNET23A but also a smaller part of bank loans are available in the long term, 4 or 5 years for bond issues, meaning a total of RON 25 million term credits of 4 or 5 years.

From the point of view of use, the BNET22, 23 and 23A bond yields were invested with a 5-year recovery target in the acquisitions already implemented by the group: a 100% stake in Dendrio, 51% in Elian and 25 % in Equatorial. Investments in Elian and Equatorial, made during the second half of 2018, are still at the beginning of the realization period, so it is premature to draw conclusions about their evolution. However, the results of Dendrio acquisition are promising, according to data published in the HY1 2018 Group report and financial results in December 2018, which showed a 5x increase in Dendrio's profit.

If we look at the debt ratio in terms of equity, (with the company lacking significant tangible assets, so that an analysis is not relevant) , the commercial debt ratio is close to 2: 1 (clients versus suppliers) and the ratio of the borrowed long term capital versus equity ratio is approximately 1.51: 1, taking into account the long-term borrowings and equity capital of RON 14.1 million.

The above reports do not include "net borrowings", in the previous calculations the cash availability position of RON 12.85 million from December 30, 2018 is ignored. If we reduce this amount (a very un-wise decision), we could either completely eliminate bank financing or we could repay early (4 years earlier!) half of the bond issue. However, we believe that for a fast-growing company the existence of a solid cash position is essential to provide a solid basis from which to continue building the growth story.

In this context, we believe that the new size of the group can support the migration to the Bucharest Stock Exchange's Main Market, a transaction that can be accomplished with a capital raising component made either by the secondary public offer (SPO) or through a listing followed by an increase in capital, similar to what has been achieved so far. In any case, we consider a viable target to attract a capital injection of RON 7-12 million through this process, which would lower the ratio of borrowed capital versus own capital to under 1:1.

Shareholder equity



During 2018, the company's equity increased more than double, from RON 6.25 million to RON 14.1 million. Further, management's intention is to capitalize earnings by distributing free shares, reinforce the company's capital base and improve financial stability.

In Q1 2019, the company carried out a capital increase with receivables (the claim held by key persons in the company) so that its own capital increased by another RON 3.9 million.

Market share

Bittnet Group operates in two major segments of the IT market: IT training and integration of IT solutions. Due to the lack of independent reports concerning the IT training market in Romania, the Company relies on its own estimates for its share in the market. The Company has the widest and deepest coverage in the training market by having unique expert resources. The Company sees itself as an IT training market leader and justifies it by:

- Being active in the most training market segments;
- Not competing with the same competitors in more than 2-3 market segments;
- Being either the market leader or the second largest provider in each market segment. For example, for Cisco official training, the company estimates a market share of $\pm 85\%$. On the other hand, in terms of Microsoft training, the company has a market share of $\pm 20\%$ taking into consideration a total of 10 partners in Romania;
- There are market segments where Bittnet has 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 Company 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 (increase of 21% compared to 2014). For 2016, the market value was estimated at 3.6 billion euro (an increase of 17% compared to 2015).

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 company's technical expertise

The main outlets for each product or service and the distribution methods

The main outlet in 2017 for Bittnet's products and services has been, similar to previous years, Romania, with a share of 85.5% of revenues coming from clients who are based within the country's borders. The share of 14.5% of revenues from foreign clients recorded an increase of 11% compared to 2017 but applied on a higher revenue. In 2018, exports grew with 136%, thus surpassing RON 7 million, delivered to 18 clients from 15 countries:





Also, another relevant share in total revenues is due to our strategic partnerships with key players on the IT and telecom market who technically can be seen as competitors, but through whom we managed to deliver services to their customers. The general attitude of the company - 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 a significant growth pillar.

Description of key products and services provided

Bittnet 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 in order to optimize training budgets, to manage staff development and post training assessment with a clear measurement of performance improvement, which helps to ensure a return on the 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 the 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, a worldwide leader in IT and business skills training, and with the LLPA organization - the alliance of the largest and most representative IT training partners in Europe.

Equatorial Gaming

Equatorial developed web platform Equatorial Marathon, which allows companies to obtain remarkable results in the area of soft skills, personal development and department development or the collaboration between the departments, by offering concept of a game taking place in real life, with the rewards on the virtual platform. Therefore, companies can launch through the Equatorial Marathon platform actions in order to improve the work environment, following the model of a marathon game. Employees become "runners" in a virtual marathon, gaining points (in meters) and consuming calories as they perform real-life tasks set by Equatorial consultants and HR departments of customers, tasks designed to achieve desirable results for the employer, like:

- Increasing interaction, engagement and collaboration between departments;
- Increasing sales team performance;
- Developing the managers and leaders of the organization;
- Increasing the number of individual study hours of topics relevant to the industry.

The Equatorial Marathon platform has been tested and confirmed by 28 companies and over 2500 participants between 2015 and 2017, including the Issuer in 2015.

Following the success of the Equatorial Marathon website, Equatorial has decided to develop new learning products based on game, starting with a mobile platform, VRRunners. This platform starts from the lessons learned with the Marathon platform and makes the transition to the preferred consumer environment of today's technology: mobile devices. VRRunners platform was developed in 2018 and will be the destination of the amounts invested by Equatorial, in both versions - for companies and for individuals. It has started generating financial and operational results from Q4 018.

Dendrio Solutions

Network infrastructure

Network infrastructure refers to the hardware and software resources of an entire network that enables network connectivity, communication, operations and management of the client's activity. Network infrastructure provides connections and communication with external networks such as the Internet, but also connectivity between internal users, processes, applications or services.



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 and more sophisticated, security is no longer about preventing a known attack. The focus has shifted to detecting and responding to new, previously unknown types of attacks.

Dendrio 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 (VPN);
- 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), as well as 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 in the online environment. This differs from the original idea of own datacenter / data room (private cloud) as the platform is owned by a third party, and the customer only uses the functionalities.

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

Throughout 2018, we have increased the number of Cloud projects to over 180, providing our customers with a significant competitive advantage: an automatically scalable IT infrastructure with ongoing production costs (revenues). We consider that in 2018 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. Therefore the client's business is flexible and quickly 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, which at the same time, can lead to security issues, such as data leaks. This is why companies deciding to implement such policies need the guidance and implementation services of experienced security consultants.

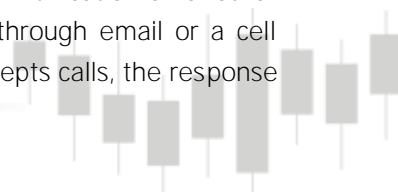
Dendrio offers a full range of consulting and implementation services for the above concepts.

Unified communication and collaboration

Unified communication (UC) represents 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, call control and speech recognition with non-real-time communication services such as unified messaging (integrated voicemail, email, 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 and 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.

UC allows an individual to send a message on one medium and receive the same communication on another one. 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.

Dendrio 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 (such as Microsoft Windows 10 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 (currently, most licenses are sold on an “annual subscription” model) and a chance to position the rest of the related services. Therefore, throughout 2019 we will follow an expansion of the customer base in this area.

IT Services

Consultancy services

Dendrio offers architecture (design), implementation and integration services covering the major IT&C 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. Dendrio is outlining the network architecture and, if required, will run a demonstration to test its functionality. Also, Dendrio 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. At this stage, Dendrio 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 is expected to validate that the infrastructure is working properly. The next step is very important and is based on information gathered in previous steps, namely it is the 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 the productivity of client's employees. These enhancements are designed to adapt even more to the needs of client's network.

Maintenance and Support services

Dendrio'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, Dendrio offers a support and maintenance option – which means that Dendrio 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 Dendrio uses expert knowledge to react to changes in the customer's IT environment and to re-establish the desired functionality, either by simple hardware replacement or by advanced policy and configuration restore operations.

Elian Solutions

Elian Solutions is an ERP solution provider. ERP solutions enable buyers to know the exact situation of inventories, receivables and debts, forecast the cash flow, track the production, cost centers, and much more. The company's management can thus have a correct and complete picture of the business.

Microsoft Dynamics Nav (Navision) is an ERP system created for growing companies that need an information system capable of growing in the same time with them, having multiple modules folded into the functional structures of a company. Below are briefly mentioned the main functionalities of each module.



a) The Financial Management Module in Dynamics NAV (Navision) allows for the finance and accounting management of the company. It is the "heart" of the system, since any transaction in another module will eventually have consequences also on the financial level. The module contains information about accounting records, fixed assets, bank accounts, customers and suppliers. Among the module's functionalities we can mention:

- Parameterizing the accounting accounts in the chart of accounts. For each account there is information about the real and budgeted balance;
- Viewing balance sheets for a certain period;
- Accounting records in any currency;
- Defining the fiscal year having as start date any desired date by the user and dividing it into tax periods;
- Define budgets in matrix windows for one day, one week, one month, one quarter, one year, or any tax period;
- Defining budgets by cost centers or business unit;
- Bank Account Management - allows management of bank accounts of the organization and various bank account operations;
- Traceability - Tracking is created for each transaction so that complex business streams become transparent. There is a change log that contains changes made by users to the data. A chronological list of changes over a field in a table shows what changes were made and by whom;
- Inter-company registration - Records are created between companies within a group controlled by the same legal entity;
- Value Added Tax and other taxes used - Recording groups are used so that all these taxes are calculated automatically. In the case of VAT, the correctness of the tax registration number by country and the uniqueness of this number for customers and suppliers is verified;
- Fixed assets - Defines information about fixed assets and fixed asset groups. An unlimited number of damping registers can be defined for each fixed asset and one of the damping methods: linear, degressive or accelerated.

b) The Sales and Marketing module allows to manage your sales processes, from issuing the sales offer to issuing the final invoice. This allows managing the leads (potential customers) from the first contact with the lead to the generation of the first sales order. Among the module's functionalities we can mention:

- Multiple delivery and multiple billing capabilities of the sales order;
- Flexible revenue processing by choosing how customers pay their bills;
- Establishing complex discount and pricing policies at a client or item level, or combination of them;
- The ability to set quantitative-value targets for customer volume, item, and tracking sales;
- Contact Management - allows definition and maintenance of general information about companies and contact persons;
- Management of sales opportunities and sales team;
- Document management through the interaction log, where interactions such as phone calls, appointments, letters, or emails can be recorded. If an interaction contains a document, it can be saved at the contact level and can be accessed later;



- Defining marketing segments and campaigns
 - Integration with Microsoft Office Outlook (contacts, tasks, appointments, etc.).
- c) The Purchasing and Debt Module allows to manage relationship with the vendors, starting with the purchase bid registration, until reception and final invoice registration. At the same time, it provides tools for optimizing inventories in conjunction with production and sales activities. Among the module's functionalities we can mention:
- Possibility of multiple receptions and multiple billing in the purchase order;
 - Establishing complex discount and pricing policy at a supplier or item level, or a combination of these;
 - Facilitates the establishment of article-based supply policies on a variety of criteria (minimum stock, minimum quantity, order resume, maximum stock, etc.), also taking into account the supply times specific to each supplier;
 - Allows cataloging of articles on each vendor with supplier-specific article coding;
 - It may suggest payments to suppliers according to different criteria (priority, due date, possible discounts, etc.);
 - A flow of approvals can be established in the system, so purchases that exceed a certain threshold value cannot be operated without prior approval;
 - Allows quantitative-value tracking of acquisitions from a period at an article and vendor level, correlated with a previous budget.
- d) The Storage Module allows for optimized inventory management, also based on the physical features of items, in accordance with user-defined storage policies. It is ideal for handling a large volume of items. Among the module's functionalities we can mention:
- Possibility of organizing the deposit on reception, delivery and storage areas;
 - Areas can be divided into compartments (rows, shelves, etc.);
 - Can be determined the physical parameters of each compartment (accepted weight, volume, etc.) as well as compartment typology restrictions (eg temperature, minimum and maximum article-by-item);
 - Various storage rules can be parameterized and based on those rules the system suggests optimal storage compartments;
 - Proposes the pick-list based on which items are picked up for delivery;
 - Allows reorganization of items in the warehouse to optimize space and picking time.
 - Allows refilling the compartments based on predefined maximum and minimum quantities;
 - Allows integration with scanning devices via ADCS (Automated Data Capturing System) technology.
- e) The Module of Production provides a complete solution for defining, tracking and controlling production processes. It works in close correlation with other modules (supply and sales), ensuring an integrated approach to the production process. Among the module's functionalities we can mention:
- Allows to define and manage production recipes and their versions, technology sheets and production capacities;
 - Allows creation and management of production orders on different production states:

1. Simulated - for the research-development department;

2.Scheduled or firmly planned - for efficient planning of material needs and production capacities;

3. Released - to operate the stock changes resulting from the production process;



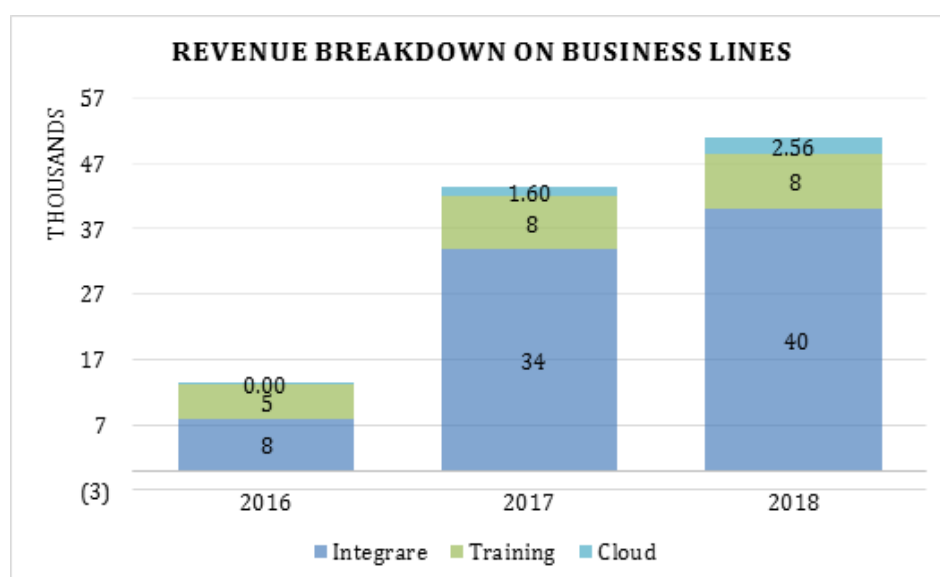
4. Completed - for history and further analysis;

- Allows the creation of automated production orders, based on planning, directly from sales orders or manually;
 - Allows serialization or lot-ification of both raw materials and finished products;
 - Allows an analysis of a pre-calculation of production based on components, production times and parameterization times estimated on production lots;
 - The cost of the finished product will be determined automatically based on the actual consumption of raw materials and the cost of production time; indirect costs of production of fixed or percentage value may also be defined;
 - Some indirect costs may be redistributed later to the production process, according to user-defined allocation keys;
 - Provides the ability to plan production on stock, custom or combined.
- f) The Resource Planning Module allows you to define and track profitability associated with company resources (employees, equipment, etc.). It is particularly useful for those processes that have high added value and where the human factor is determinant - the services area. Among the module's functionalities we can mention:
- The ability to define resources (employees, equipment) and associate costs and prices;
 - Managing availability of resources on days, weeks, months;
 - Allocating the resources of the works (projects) and the service orders;
 - Production and project planning based on the availability and capacity of resources.
- g) The Human Resources Module provides evidence of key information about company employees. Among the module's functionalities we can mention:
- Managing information about company employees;
 - Associating resources and employees;
 - Evidence of employee absences;
 - Obtaining specific reports.
- h) The Work Module supports the planning, tracking and control of project management activities. Among the module's functionalities we can mention:
- Defining projects by phases and items to be consumed in the project, according to the quantities and prices agreed with the customer;
 - Quantitative follow-up of deviations between what was budgeted / agreed and actual consumption;
 - Possibility to invoice different phases of projects, with flexible price structure, either with those agreed in the contract or with those known only at the moment of invoicing;
 - Allows the usage of 5 methods of recognition and recording of unfinished production in accordance with International Accounting Standards (I.A.S.);
 - Provides ability to track projects in different currencies.
- i) The Service Management Module allows the management of services for items under warranty and for service operations in general. It provides management support through resource planning tools for service operations. Among the module's functionalities we can mention:
- Service items management - it is realized by registering service items with all the related information: serial number, component list, contract information, response times, start and end date of the warranty. For the components of an item you can know how many times they have been replaced and when;



- Service tariff management - is achieved by parameterizing, maintaining and tracking service prices, allocating fixed, minimum and maximum prices, and defining price groups for a limited time for a specific customer;
- Service Order Management - helps recording the interventions that occurred after the sale of service items, revisions and repairs that are made so that a record of interventions can be obtained for an item. For terminated contracts, orders are automatically generated in accordance with the terms of the contract;
- Service contracts management - allows to create bids or contracts based on predefined standard models;
- Order planning - involves assigning employees to work orders in accordance with the personal availability and abilities.

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



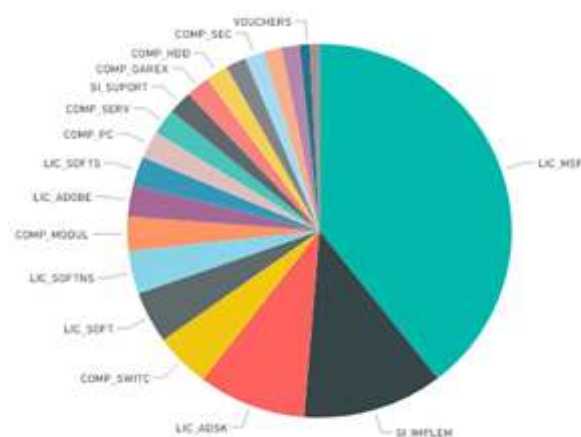
The "IT solution integration" business line registers higher share in total turnover, due to its specific, which includes the delivery of goods (high turnover, small gross margin). Considering that this line of business includes revenues from cloud solutions, it is likely to increase further at an accelerated 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 expectation to 'capture' more value from the IT training business.

The main drivers of revenue growth for the training activity were:

- training Cisco: +14% vs 2017
- training Custom: 56% vs 2017
- training ITIL: +48% vs 2017
- training Alternativ (software): +126% vs 2017
- In 2018 we brought DevOps specialized training courses: Kubernetes, Ansible, Jenkins, Chef etc: RON 830K in 2018 - 10% of the total training revenues (1.4 million lei if we add the "alternative training" category). Bittnet team has delivered 30 dedicated DevOps classes.



- Implementation Services: + 77% vs. 2017 - over € 1 million
- Microsoft Licenses: 5% versus 2017, but this position is the highest in total integration products
- Network Infrastructure: + 13% vs 2017, with an increase of more than RON 1 million
- Autodesk licenses: + 23% vs 2017
- Security Software Licenses + 50% vs 2017
- Support services: a 12 times increase compared to 2017



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

- 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 building 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 2019, 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's solutions, based on our team's constantly developing skills, in these areas of great interest for 2019, providing training for both migration to cloud services, effective implementations and consulting solutions. Computer security is an area in which we excelled at Bittnet as our skills are certified by multiple vendors for IT security industry, such as: Cisco, Bitdefender, Check Point, etc.. The solutions of "cloud" or "mobility" or "IoT" which are the technological trends of 2019 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.

For the "IT solutions integration" business line, the company "stocks up" on 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.

For the "education" business line, the Group "stocks up" on course manuals and official virtual labs from several worldwide external partners or directly from manufacturers as well as 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 give 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 week). 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.

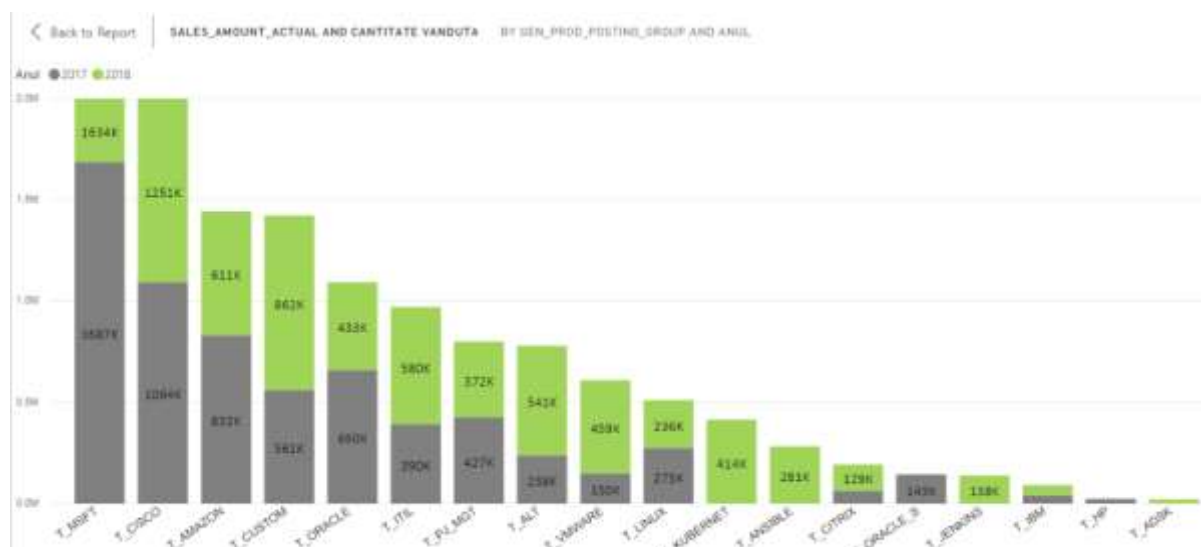


1.1.4. Evaluation of the sales activity

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

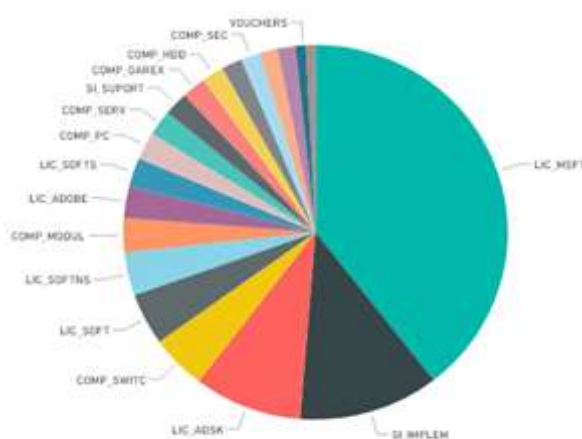
The main drivers of revenue growth for the training activity were:

- training Cisco: +14% vs 2017
- training Custom: 56% vs 2017
- training ITIL: +48% vs 2017
- training Alternativ (software): +126% vs 2017
- In 2018 we brought DevOps specialized training courses: Kubernetes, Ansible, Jenkins, Chef etc: RON 830K in 2018 - 10% of the total training revenues (1.4 million lei if we add the "alternative training" category). Bittnet team has delivered 30 dedicated DevOps classes.



The main factors of revenue growth in the integration activity were:

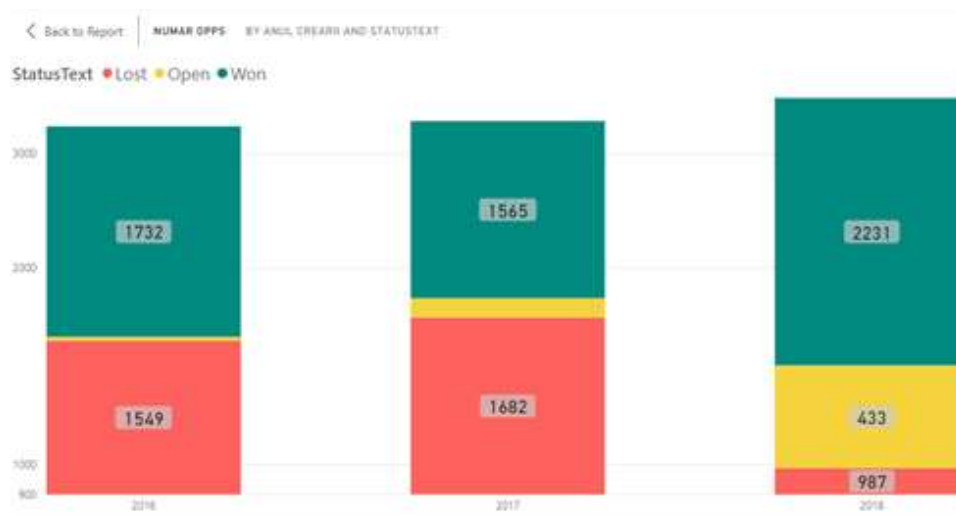
- Implementation Services: + 77% vs. 2017 - over € 1 million
- Microsoft Licenses: 5% versus 2017, but this position is the highest in total integration products
- Network Infrastructure: + 13% vs 2017, with an increase of more than RON 1 million
- Autodesk licenses: + 23% vs 2017
- Security Software Licenses + 50% vs 2017
- Support services: a 12 times increase compared to 2017



Description of the sequential sales on the local and external markets and the prospects for the medium- to long-term sales:

We have continued to implement sales team technical skills to support the role of trusted advisor for IT infrastructure and cloud solutions. Thus between 5-10% of the time of sales staff was allocated for various internally-led training sessions organized by representatives of technology partners and vendors. This will continue in 2019 as well.

The sales team has also improved the number of "open" opportunities in the CRM - an increase of 8% to 3650 "open" opportunities in 2018:

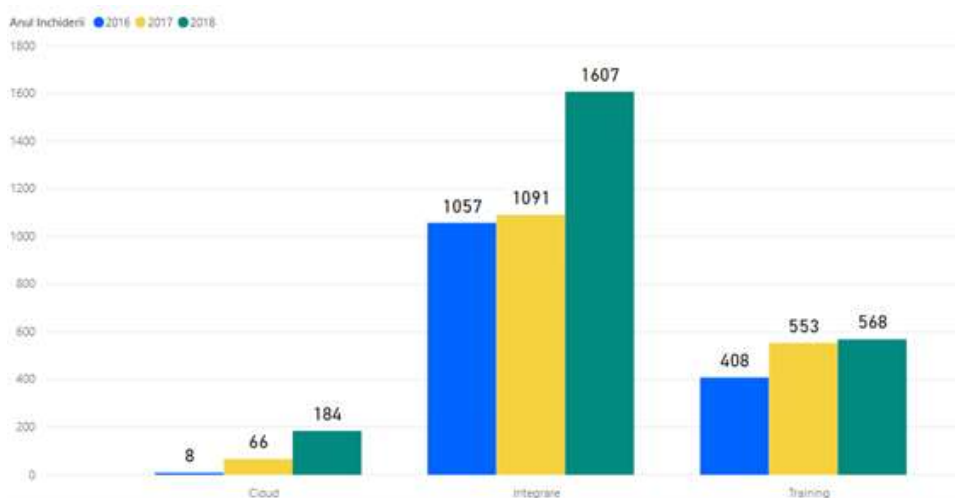


As it can be seen, in 2018, the company registered a much higher rate of winning the identified projects. Additionally, in 2018 we benefitted from the increase in value of the identified opportunities on all types of projects:

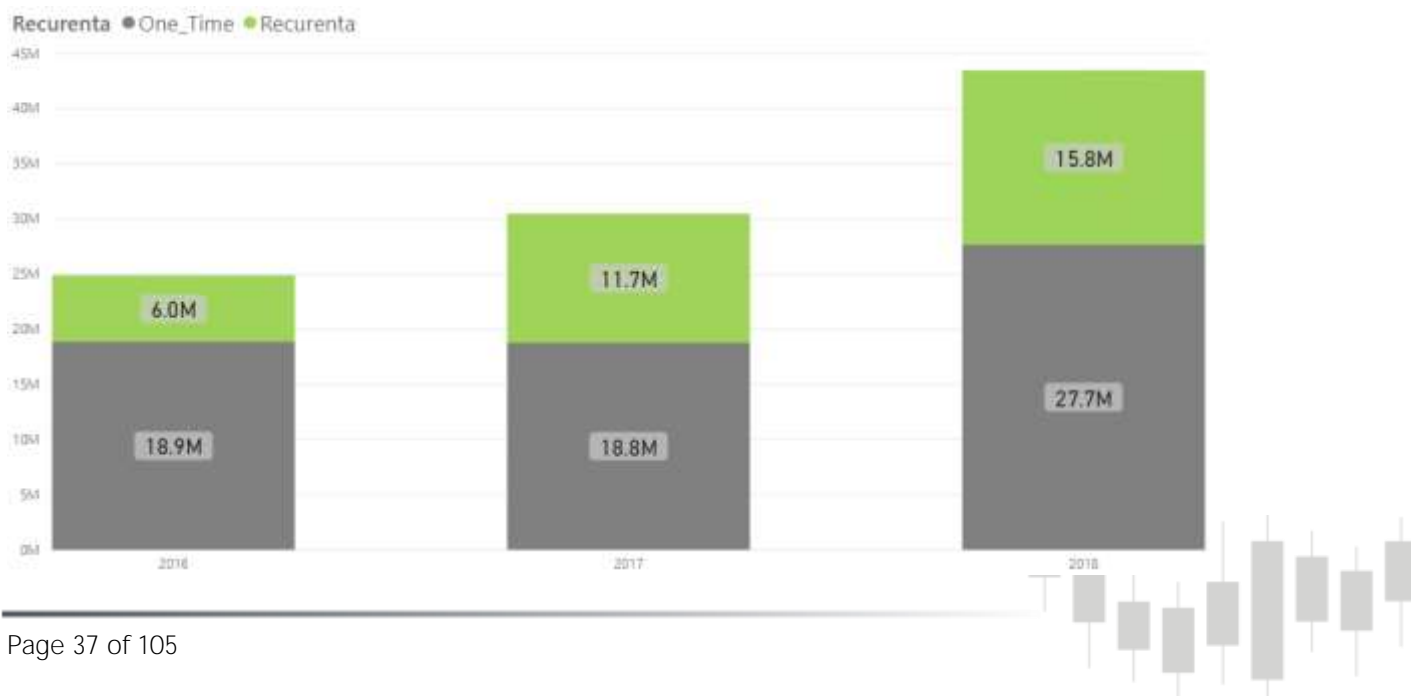




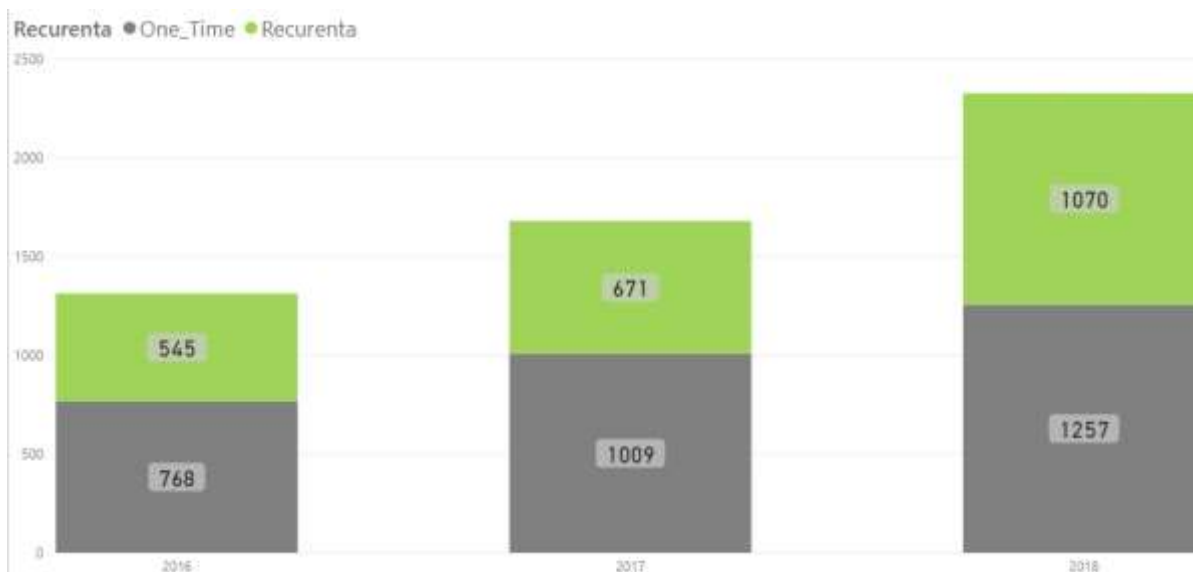
Although the biggest increase is the number of projects won for integration business line, it is worthy to mention the growth of the cloud business – in 2018, we have registered 3 times more projects than in 2017.



The fact that in 2018 we have earned a significant number of recurrent projects (opportunities that will bring income for many years / months) is a gratifying sign:



This has happened both in terms of amounts (previous chart) as well as number of projects (the following graph):



Perhaps the most important indicator of the sales team performance is keeping the percentage of winning opportunities - 59% in 2018 – the result is a significant increase in opportunities „won” – with more than 600 units!

Looking at annual developments, it's easy to forget 'where did we start' and that's why we included the 2016 chart, which shows the doubling of activity.

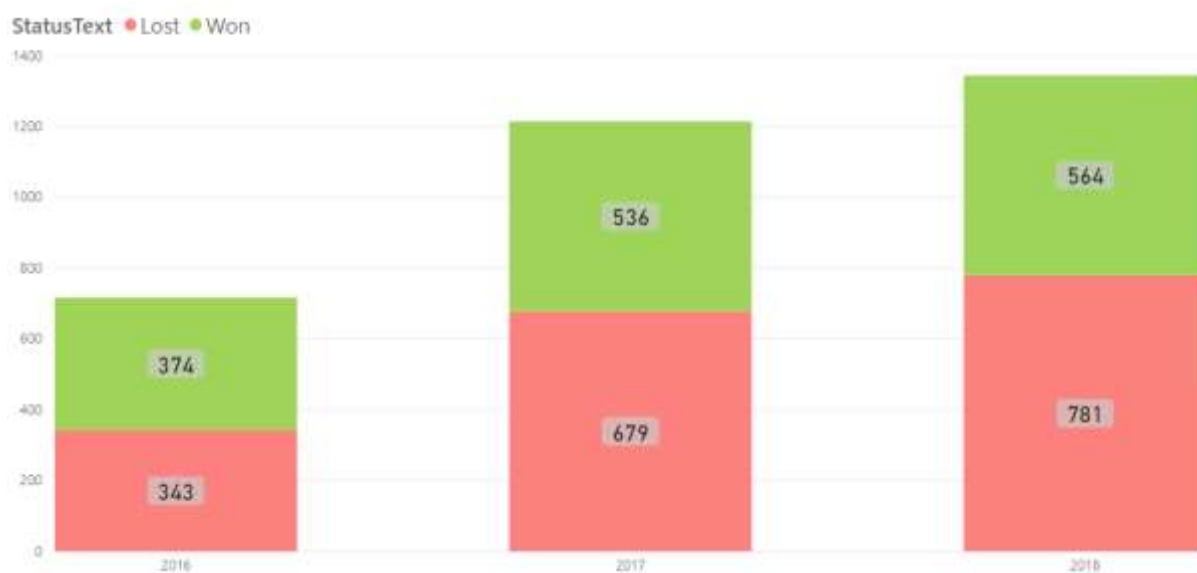


If we analyze by project types, the evolution of project earning rates is as follows:

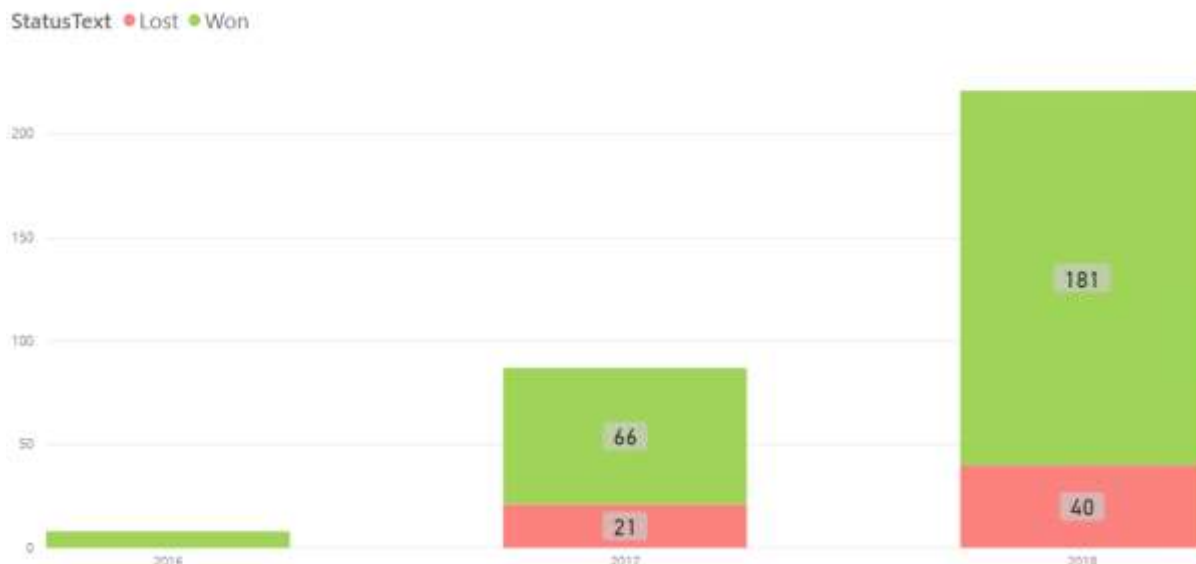
Integration



Training



Cloud



In 2018, exports grew by 136%, reaching over 5 million lei, as we delivered projects to 18 customers in 15 countries:



From the perspective of the team, in 2018, 4 new colleagues joined our office in Bucharest, two of them to take up new positions, two to complement the existing roles in the organization.

At regional level, we succeeded by the middle of the year, to complete the Brasov office team and Iasi, with one colleague to serve the local market in each region.

An interesting trend that manifested in 2018 was to bring a larger number of new clients to the cloud - a natural trend, because with the opening of this business line we were able to "target" even smaller clients than those traditional Bittnet (who are mostly 'enterprise' customers). We believe that this trend (and also opportunity) will continue to manifest in 2019, as we accelerate cloud efforts.

As such, the company's sales activity is built in the following manner: Bittnet's sales team is composed of in-house employees as well as reseller partners and/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.. For such cases, the B2B sales activity is best handled by “individual” relations of the account manager. In other words, the sales team (internal and external) addresses clients directly, presenting and positioning products and services to people who are relevant in the acquisition process.

Sales activity is further 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 about Bittnet. It is also an important tool for generating results. More details can be found in the next chapter, dedicated to marketing and PR activity.

Marketing and PR

As we stated in previous years, Bittnet Group's product sales cycle is longer and there is a direct link between the sales team and the relationship they have with customers.

We run under the Business to Business (B2B) model, which involves actions and activities different from those specific to the market where you interact directly with the final consumer (B2C). In this context, the marketing department has the role of facilitating and improving the sales team's activity in terms of identifying new business opportunities and addressing new customers. Moreover, our marketing department ensures through its own events, branding and PR initiatives, a better visibility of the Bittnet Group companies, making efforts to position ourselves as the “first option” when customers are thinking about a trusted IT partner, both from the perspective of IT education and also from the technical perspective as an IT integrator.

2018 for our team was the year when we have launched the Dendrio brand, a new name in Romanian IT. Despite the fact that Dendrio is the result of mixing Bittnet's integration division with what was formerly known as Gecad Net, the name (brand) was new to market. That is why we have made strong efforts in communicating with our customers, partners, employees, shareholders, etc. to increase brand awareness. We have started a series of internal team initiatives so that all people involved in the current work are ambassadors of the Dendrio brand, understand its DNA and are its promoters. We have also spent more time in the area of communication, organizing and participating in events that promote Dendrio brand among the IT integrators in Romania.

At the end of last year, we set up the mechanisms for a Dendrio branding campaign. We chose a list of relevant projects and a number of representative clients for our work, which we will be communicating from March 2019 for at least 6 months.

Although we did not run online campaigns in 2018, we did not lose sight of the website that was constantly updated for Bittnet Training, where new courses are continually being introduced into the portfolio of major technology vendors. In March 2019, we will launch a new website for Dendrio brand to highlight the entire portfolio of IT services and solutions that we make available to our customers. It will unite the Bittnet integrator, the former Gecad Net, and Crescendo integrator divisions.

Sales team figures from 2018 were also supported by marketing activities that generated the following results:

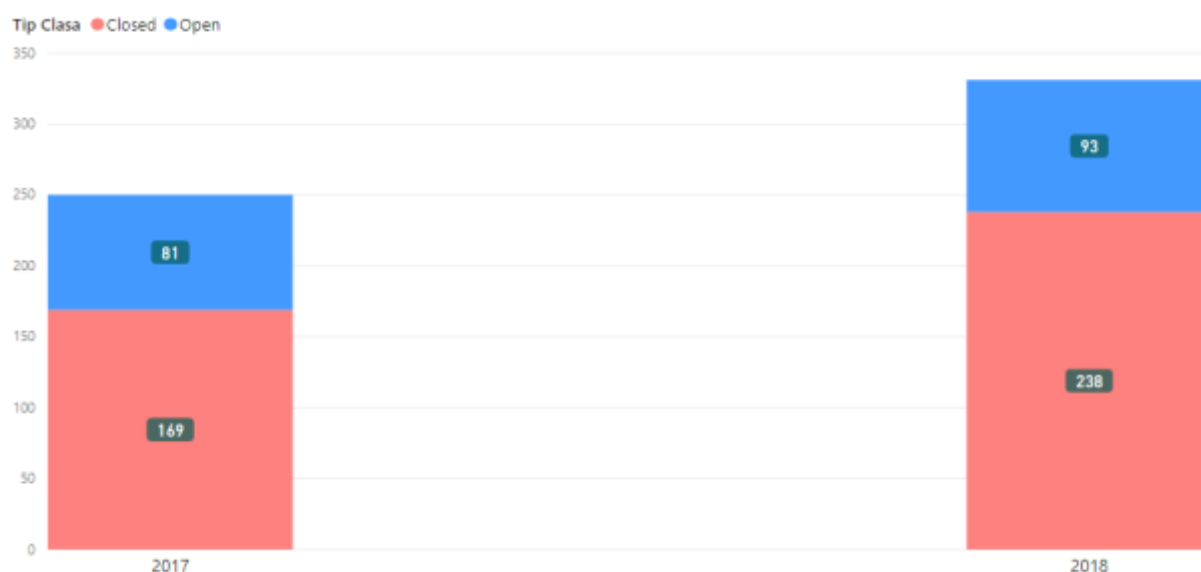


- 287 marketing opportunities were won in 2018 (but not all were generated in 2018), meaning about 7% of the sales pipeline was based on marketing activities.
- 62 of the opportunities generated in 2018 are still open (about 23% of total opportunities). They have an estimated value of EUR 169K.

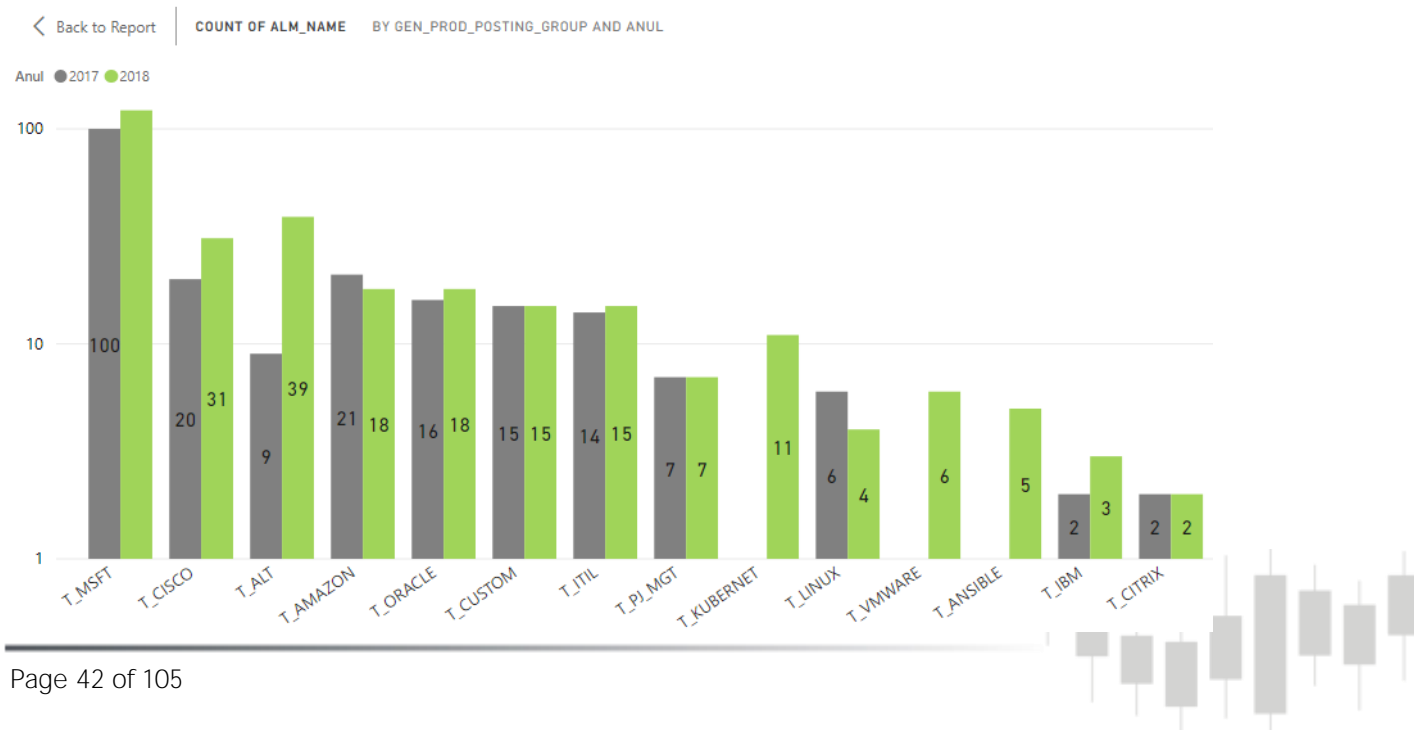
Beyond generating figures, the main goal of the department is to provide customers with pleasant experiences within the Bittnet Group of brands, to listen to their needs and to help the sales team come forward through proactivity and flexibility, through openness and a memorable experience.

IT Training Centre

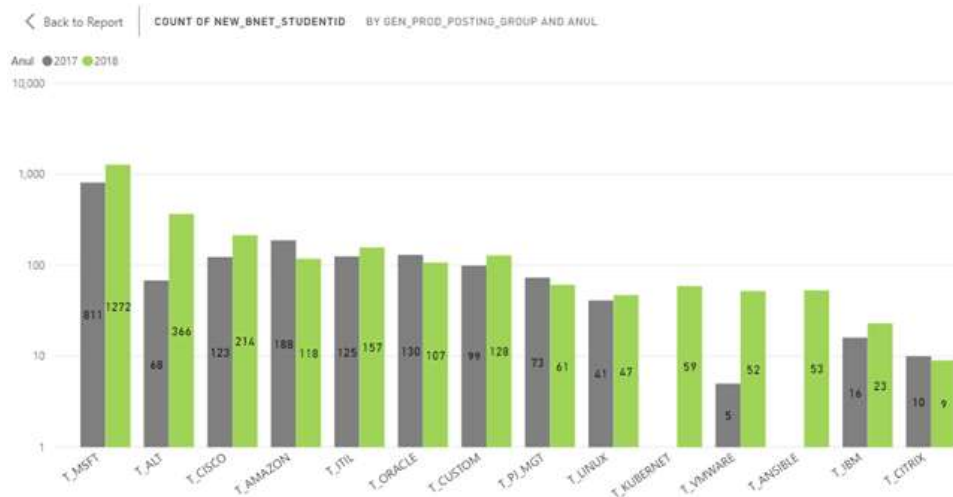
In 2018, the increasing trend of the number of classes (training sessions) continued, exceeding 300, distributed in 93 open classes (14% increase versus 2017) and 238 dedicated type classes, 41% increase versus 2017:



From the producer distribution point of view (type of training), the most popular classes were:



And from the perspective of popularity among the learners, the most successful trainings were:



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 into two sections, because of the two business lines, which differ significantly. Bittnet sees itself as the IT training market leader and justifies it by:

- Operating in most IT training market segments (in terms of vendors, technologies, depth level, national coverage, etc.);
- Not competing with the same competitor in more than 2 market segments, being either the market leader or the second largest provider on each market segment. For example:
- for the Oracle official trainings, there are 3 authorized providers for Romania (Bittnet, Eta2U, Jademy);
- for official Microsoft trainings there are 5-6 authorized providers.
- There are market segments where Bittnet has no competitors (e.g. is the only Amazon Web Services, Cisco, Citrix, etc., training partner).

When it comes to the integration market (IT professional services), the very diversified range of Dendrio's services makes it impossible to determine company's percentages of market share. In the IT solution integration market, there are hundreds of competitors of various sizes that 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:

Competitor	Description
Avaelgo	Once with the increasing of the cloud services and solutions exposure, traditional competitors 'disappear from the landscape' and the companies we meet at the customer are in the area of software development companies that are trying to enter the cloud business from the final application area. Avaelgo is a Romanian entrepreneurial company focused on Microsoft cloud solutions and 'custom' trainings for solution customers.
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, the company has 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. In 2018,

Competitor	Description
	Brinel was sold to French group SNEF.
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 air traffic 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.
IT Academy	IT Academy carries out its training activity on the Romanian market for 10 years. 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

Competitor	Description
	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.
Zitec	Once with the increasing of the cloud services and solutions exposure, traditional competitors 'disappear from the landscape' and the companies we meet at the customer are in the area of software development companies that are trying to enter the cloud business from the final application area. Zitec is a successful Romanian entrepreneurial company focused on software solutions. Starting with 2017, Zitec offers cloud-based IT infrastructure and cloud services, being certified as Microsoft and Amazon Web Services reselling partners.

With the acquisition of GECAD NET, Bittnet has become the first provider of multi-cloud solutions in Romania (integrating both Amazon Web Services and Microsoft Azure and Google Apps) - a very advantageous competitive position to pursue the same 'value proposition' (value proposition) for clients as well as the one highly valued in the training business: "one stop shop" for the cloud infrastructure needs.

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 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 Bittnet clients return and purchase more is the result of two combined factors: our technical capacity of delivering products and services with a high level of specialization and the quality of carrying out of these services.

Because of these factors, as the time goes by, our relations with "reseller" partners as well as other clients solidify as Bittnet is gaining more and more confidence in the eyes of its partners, which in turn translates into bigger projects.

These factors combined lead to a concentration of sales on an important number of clients. Even though the company served more than 700 clients in 2018, the first 20 clients generated 54% of the turnover. The situation is more favorable than in 2015, when it was the first 10 clients that generated 60% of the turnover. In 2017, first 19 clients generated 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.



Client	Share of the 2018 turnover
Telecom Customer 1	9%
Manufacturing Company 1	4%
Utility Company 1	4%
Telecom Customer 2	4%
RPA Company	4%
IT Integrator 1	4%
Global IT Vendor 1	3%
Telecom Customer 3	3%
Online Gambling Company	2%
IT Reseller	2%
Courier Company	2%
State Owned Enterprise 1	2%
Software development company 1	2%
Utility Company 2	1%
International Broadcasting Company 1	1%
National Clearing Company	1%
Manufacturing Company 2	1%
Online Payments Company 1	1%
Global IT Vendor 1.	1%
Manufacturing Company 3	1%

The main reason behind such a structure is the partnership model that the Company implements. Besides direct sale to clients, the company uses “reseller” partners who 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 “umbrella” of a reseller.

1.5. Evaluation of aspects related to the company’s employees/staff

Clarifying the number and the 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 2018, the average number of employees of the company was 18. The table below shows the partition by functional departments at the end of the fiscal years:



Departament	2014	2015	2016	2017	2018 *group level
Sales	4	4	4	4	5
Technical	3	2	4	4	5
Marketing	2	2	2	2	1
Delivery	1	1	1	1	3
Management	Did not receive remuneratio	Din not receive remuneratio	4	4	4

The company externalizes a series of activities to independent subcontractors. At the end of 2018, Bittnet was cooperating with over 80 contractors.

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

As a specific of the IT industry, it must be noted that the industry employees and collaborators (freelancers) are characterized by a certain level of education, a continuing desire to learn as well as a greater level of independence. This type of work environment and professional activity is characterized by cheerfulness, youthfulness, desire to work and to 'prove' professional value.

As we are active in the digital economy area, we also benefit from the advantages of the so-called 'gig economy' as well as the problems it raises. For this purpose, the company actively pursues the positioning as a platform that brings together experts on various topics with relevant customers for the respective services.

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

Synthesis 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 through trainings, consultancy or design and implementation services.

We are not engaged in any litigation and we do not foresee any litigation related to 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 gains knowledge (know-how) by assimilating the information from 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 the following link: <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 market price on the specific product or service sold by the company may vary in such a way that the existing contracts are no longer profitable.

This risk consists two components: the risk of price fluctuation of the elements that make up the company's fixed costs and the risk of price fluctuation that make up variable costs of each project.

The company carefully addresses the issue of price fluctuation at the level of variable costs through the following actions:

- The company does not operate with inventory and 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 supplier is reflected in the CRM system, so that the sales team is always up to date with the latest prices for the 'raw material', therefore they can take this into account during the offering 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.

For fiscal year 2019, there is a foreseen increase in the need for contracting financial products in order to secure a fixed price for buying the currency. Several requests for quotes received from customers request bidding in a different currency than the one in which the services are purchased. The company will analyze and test various financial solutions in this regard.

The company carefully addresses the issue of price fluctuation at the level of fixed costs through the following actions:

- In the case of workforce (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 workforce costs will similarly affect the whole industry, not just the company.
- The leader position on the IT training market allows the company to obtain better prices than the competitors.



- Beside the employee and contractor costs, the most important fixed cost is the rent for the work point from Timisoara Boulevard, no. 26, Bucharest. This contract has a fixed price until 2024.

Exchange rate risk

An important element of the price risk is the exchange rate fluctuation risk. The company aims to be neutral to this risk by implementing the following measures:

- The company avoids as much possible to make “cross-currency” offers (offers in a different price than the one in which it was bought).
- In case of such a demand, the company includes 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.

For fiscal year 2018, there was a foreseen need to contract financial products in order to secure a fixed price for buying the currency. Several requests for quotes received from customers request bidding in a different currency than the one in which the services are purchased. The company analyzed and tested various financial solutions in this regard.

With the intensification of the export activity, the company keeps the money cashed in the initial currency, in order to be able to directly pay in the currency of the foreign partner. This approach allows us to cancel out the exchange rate fluctuation effect in case of open invoices (because the losses created by the increased value of our debt to suppliers are offset by the winnings produce from the appreciation of FCY reserves). Especially with the acquisition of Dendrio, the earnings from Bittnet clients are more relevant for Dendrio’s payments to external suppliers (Dendrio has significant number of acquisitions from external suppliers).

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 liquid assets. Starting from 2018, Bittnet has a structure of assets in which financial assets (holdings of daughter companies and other goodwill or brands and patents) have a significant weight, as we have shown in the chapter on asset analysis. Bittnet intends to continue to operate these assets, these investments, and therefore the liquidity risk is not significant - not intending to look for the counterpart, to sell these assets to ensure current business.

Tangible assets of the company (technological equipment) are used in the current activity (provision of services). We believe that for Bittnet, the most important risks are cash flow and credit risk.

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 being in a specific financial situation.

The company analyzes new customers using specialized tools (specific sites with the capability of analyzing 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 was in no way affected by 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, 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 at the due date. In the Company's activity this has two components which we closely follow:

- The synchronization of due date payments from our clients for certain projects with due date payments to the suppliers for those projects. The company's working procedures put as priority nr. 0 this synchronization (for the due date from our client to be sooner than the due date from our supplier). This issue takes the form of back-to-back clauses when it comes to receiving invoices for subcontracted services or sales 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, in 2016 the Company had at its disposal and accessed 2 different non-recourse factoring facilities from 2 different donors.
- The risk of business seasonality. Because of the specific nature of the clients that the company addresses (companies which operate on an annual budget, with 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 using financing lines. The company actively seeks the extension of financing from banks in both short and long term.

The company takes into account any long-term financing product, which reduces the cash flow risk. More so, for 2019, the company intends to increase the volume of support services, which bring a constant monthly revenue, which in turn reduces the seasonal risk.

Counterparty risk

The non-execution by third parties of the obligations they have assumed towards the Issuer, including in connection with the implementation of certain investment projects envisaged by the Issuer or the risk of insolvency in connection with them, may affect the realization of the Issuer's business objectives, activity or financial situation and, implicitly, its ability to fulfill its obligations in respect of the Obligations.

Risk of withholding of the Issuer's accounts

Withholding of accounts is a common measure of forced execution that can also be applied to the Issuer. Thus, the Issuer's accounts may be blocked as a result of the withholding if the Issuer's creditors require this measure to be taken to meet the claims they have against it. Withholding of the Issuer's accounts results in blocking the amounts in the withheld accounts and may cause the Issuer to fail to meet its payment obligations, which may have a negative effect on the Issuer's business, financial situation or prospects.



Operational risks

IT systems are vulnerable to a number of issues, such as computer viruses, illicit malicious access to information systems, physical damage to vital IT centers, and software or hardware malfunctions. In addition, other operational risks may arise from inappropriate or unsuccessful internal processes due to certain people and systems or due to external events.

Operational risks can be classified into: (i) internal risk factors (eg unauthorized actions, theft, fraud, procedural errors, business interruptions or system failures); and (ii) external risk factors, including property damage, defaults of suppliers or counterparties of the Issuer.

The occurrence of such events, in particular any disruption of activity or non-fulfillment of the contractual partners' obligations, could influence the services provided to the clients. Thus, the impossibility of managing these operational risks could affect the Issuer's financial situation.

Risk associated with the labor market and key individuals

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

Throughout 2018, Bittnet has faced much less staff fluctuations 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:

- adding the role of internal HR in the organization and bringing onboard a new colleague who has experienced in recruiting IT professionals. The role of HR has two main objectives:
 - continuing recruitment - identifying new talented professionals to include in our technical team;
 - create and maintain a pleasant, engaging, and healthy working environment, focused on constantly promoting the values which are at the base of company's culture: competence, performance, integrity, flexibility and fun.
- listing on the Bucharest Stock Exchange allowed us to obtain a profile of an appreciated employer, which has helped us to differentiate ourselves as an open and transparent company - an image highly appreciated by all the new as well as the older employees.

In addition to the previous points, the move to the new headquarters in 2017 (A-class building, with a tall office space and modern facilities developed by a highly-valued architecture company in the "fit-out" market) is another investment made in the area of employer branding that was highly appreciated by the team members and collaborators.

This risk continues to be one of the most important 'threats' to our company, and consequently, the management will continue to give importance to this aspect. In 2016, 2017 and 2018 the General Meeting of Shareholders has approved a stock option plan incentive for key employees in order to better align their interests with the long-term interests of the company.



Management will propose a new incentive plan for the 2019-2021 period. On the other hand, taking into consideration the overheating of the labor market and the increase in the proportion in the labor force of the "Millennials" generation, we believe that this risk - related to the ability to deliver promises to customers - is significant one for the company, especially when paired with the continued growth of financial claims of team members and collaborators (a steady increase in fixed costs).

Risk associated with significant clients

At the end of 2018, the Company's customer structure was less concentrated than in the previous years as the first 20 customers generated 54% of revenues. The customer structure is dominated by companies from IT&C sector. 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 in order to disperse of this risk; in 2018 the trend of expanding customer exposure continued and, as a result of the expansion of the sales team as well as company's portfolio, the company gained new, significant clients.

Risk associated with the rights to the trademark

We began our journey as a public company with the „Bittnet Systems" trademark being owned by a third-party who is related personally to the Company's management (hereinafter 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.

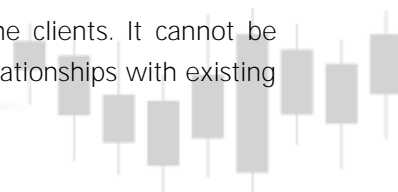
The agreement was signed for 10-year length period (until 2020) and does not include any notification period for its termination. The agreement contains contractual penalties, according to which for each day of delay in payments there are interest charged equal to 0,1% of payment value.

During 2016, the Company reached an agreement in principle for the transfer of the trademark 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 trademark. In 2017, the company has not identified, together with capital market institutions, the practical modality to transpose this agreement in reality, taking into considerations the limitations of the Code of Central Depository on the transfer of shares by major shareholders.

At the end of 2018, we were able to identify the technical solution to address this risk element that the company had in the past 4 years: the company acquired the trademark from its holder at the value of RON 5.8 million, according to an evaluation report made by an independent certified assessor. The founders took over personally the company's debt to the trademark owner, thus generating zero costs for the company and for minority shareholders. On the contrary, acquiring an asset combined with reducing the debt of the company actually generated income for the company, equal to the value of the asset. The founders are going to transfer to the previous owner of the brand a number of shares equivalent to the debt taken - thus increasing the company's free-float.

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 deteriorate. There is also the risk that the company will not be able to accomplish other elements of its defined strategy, such as: the expansion of sales team, launching new local offices in the main Romanian cities, strengthening the position of the IT Training market leader, expanding the customer base and providing trainings to more potential customers, developing and creating 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 as well as to improve its marketing activities.

Risk associated with realization of the financial forecasts

Financial forecasts of the Company start at the hypothesis of successfully implementing the growth strategy, 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 provided in the future periodic reports may differ from the forecasted values, as a result of unforeseen factors in the company's business environment. The company will provide future information regarding the possibility of the realization of financial forecast.

This chapter deserves a more detailed discussion. Every year the company submits for the shareholders' approval a revenue and expense budget. The Management realizes this budget 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 budget), of the sales statistics from the previous years, of the already engaged / planned marketing and sales actions, and of the sales targets assumed by each member of the sales team. In other words, the budget 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, every year, at the time of publishing of the budget, the management has to answer to the "If we have a reasonable trust that we will generate 100 RON gross margin, from how much RON in sales will we obtain this margin?" question. It must be taken into consideration that the sales accomplishments are measured and calculated EXCLUSIVELY by the values of gross margins generated. In other words, 100 Euro of gross margin generated by 200 Euro course sales is equally valuable to the company as, for example, 100 euro of gross margin generated from the sale of a 500 euro communication solution.

In order to answer to the "How much RON in sales is 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 budget) 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, it is more likely that the revenue forecasts (turnover) is wrong, and the profitability one is 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 accomplishment of the revenue indicators (turnover), but instead should follow the profitability indicators.



Risk associated with interest rates

The Company is exposed to the risk of interest rate increase due to the credits and loans taken. Any increase in interest rates will be reflected in 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 the offerings.

In 2016, 2017 and 2017, the Company has carried out placements of corporate bonds, with maturity in 2019, 2022 and 2023, through which it obtained from the capital market an "engaged" financing of over RON 30 million. All the bonds are listed on the Bucharest Stock Exchange.

In February 2018, the Company has informed the shareholders about the new operations regarding two bank loans with ProCredit Bank – a revolving overdraft contract in the amount of RON 2,790,000 with a fixed interest rate of 3.75% per year, and signing of a credit contract with the same financial institution amount of RON 697,000 with an interest rate of ROBOR6M+1.5% per year and 3 years maturity, with monthly reimbursements. The loans intend to finance current activity, working capital and the development plans of Bittnet.

Same month, Bittnet has extended the loan contract to Dendrio from an initial amount of EUR 90,000 to a new ceiling of EUR 1 million. The new interest rate for this loan is 6.5% per year. The reason for this EUR currency loan contract between the two companies is that Dendrio makes more foreign currency payments to foreign vendors, whereas Bittnet has more foreign currency receivables than payables. Under this model, Bittnet obtains FCY reserves, while Dendrio needs to negotiate and buy FCY to cover payments. With the loan agreement the two companies intend to decrease the FX exposure and minimize currency exchange costs.

In May 2018, the company has further improved the financing structure of Dendrio Solutions SRL by signing a revolving overdraft contract with ProCredit Bank in the amount of RON 1,800,000, with an interest rate of ROBOR3M+2.5% per year and a 36 months maturity. The loan will be used for financing current activity and working capital of Dendrio Solutions SRL.

In November 2018, the company has further contracted a revolving overdraft contract with ING Bank Amsterdam, Bucharest Branch in the amount of RON 2,000,000 with an interest rate of ROBOR1M+2.9% per year and a 1-year maturity, with an extension possibility. The loan will be used for financing current activity and working capital of Dendrio Solutions SRL.

In December 2018, Bittnet contracted a ceiling product from Banca Transilvania for Dendrio Solutions SRL in the value of RON 1,000,000, with a maturity of 15 months and interest of ROBOR3M+3.8% (based on the actual value used). The product provides access to corporate credit line as well as different types of non-cash Guarantee Letters (bank guarantee letters, performance letters, vendor payment guarantee, prepayment, etc.). The company intends to use this banking product to stop "blocking" its own cash to issue Guarantee Letters and to unlock the current guaranteeing instruments of this kind.

All credit products accessed by the Company currently have FIXED annual interest. The weighted cost of borrowed capital is slightly below 7.6% per year. We believe that the next financial period (2018 - 2022) will be a time when the fact that we have fixed the price of the borrowed capital will be a competitive advantage.



The financial leverage risk (debt ratio)

One of the discussions with potential investors is the rate of indebtedness. It can be calculated in several ways, of which we reproduce 2: "the ratio of assets financing with credit" and "net borrowed capital versus own capital".

The "ratio of financing assets via credit" approach has the advantage of being easy to calculate, achieving a simple and fast result. In Bittnet case, this ratio is 78% (RON 49 million loans vs RON 63 million total assets). Unfortunately, this report can often send an erroneous message. Thus, in our opinion, the fact that this formula ignores the availability times (credit maturities), not differentiating between the payment amounts to a bond issue of RON 10 million, made on December 27, 2018 due in December 2023, and the invoices of the suppliers due in January 15 2019, is a feature that makes it less useful to understand a company's financial situation. At the same time, this formula does not differentiate between type assets, banking availability or invest in other company shares. Thus, a company with own capital of RON 1 million and borrowed capital of RON 1 million, having all the amounts fully disposed of in the accounts, has a financing degree of assets by 50% credit. Instead, a company with RON 1,000 equity, receivables of RON 1100 and zero cash are listed with a zero-debt rate.

In our opinion, as the case of any other mathematical or economic formula, the definition of terms, "which elements we include in every formula", is very important, and significantly changes interpretation. On December 30, 2018, the Bittnet group had the following debts:

- Banks - 9.2 million
- Bonds Issues – RON 23 million
- Suppliers – RON 10.85 million

The commercial debt (suppliers/vendors) was covered in 1.92: 1 by the amounts to be collected from the customers, RON 20.9 million. This ratio of customer invoices to suppliers' payables also illustrates the rationale for the existence and use of bank financing by the company - we pay suppliers on time or in advance to have a good reputation, and we offer payment terms to customers to win projects.

From the point of view of the availability of borrowed funds, bank financing is predominantly short-term - it is meant to cover working capital requirements, as in the case of BNET19 bonds, RON 4.2 million. On the other hand, bond issues BNET22, BNET23, BNET23A but also a smaller part of bank loans is available in the long term, 4 or 5 years for bond issues, meaning a total of RON 25 million term credits of 4 or 5 years. From the point of view of use, the BNET22, 23 and 23A bond yields were invested with a 5-year recovery target in the acquisitions already implemented by the group: a 100% stake in Dendrio, 51% in Elian and 25 % in Equatorial.

Investments in Elian and Equatorial, made during the second half of 2018, are still at the beginning of the realization period, so it is premature to draw conclusions about their evolution. However, the results of Dendrio acquisition are promising, according to data published in the HY1 2018 Group report and financial results in December 2018, which showed a 5x increase in Dendrio's profit.

If we look at the debt ratio in terms of equity, (with the company lacking significant tangible assets, so that an analysis is not relevant), the commercial debt ratio is close to 2: 1 (clients versus suppliers) and the ratio of the borrowed long term capital versus equity ratio is approximately 1.51: 1, taking into account the long-term borrowings and equity capital of RON 14.1 million.



The above reports do not include "net borrowings", in the previous calculations the cash availability position of RON 12.85 million from December 30, 2018 is ignored. If we reduce this amount (a very un-wise decision), we could either completely eliminate bank financing or we could repay early (4 years earlier!) half of the bond issue. However, we believe that for a fast-growing company the existence of a solid cash position is essential to provide a solid basis from which to continue building the growth story.

In this context, we believe that the new size of the group can support the migration to the Bucharest Stock Exchange's Main Market, a transaction that can be accomplished with a capital raising component made either by the secondary public offer (SPO) or through a listing followed by an increase in capital, similar to what has been achieved so far. In any case, we consider a viable target to attract a capital injection of RON 7-12 million through this process, which would lower the ratio of borrowed capital versus own capital to under 1:1.

The reputational risk

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

Although the Issuer is making every effort to comply with the regulations in force and to increase the positive perception of customers and prospective customers regarding its services, negative publicity and negative public opinion could affect the Issuer's ability to maintain and attract customers.

Risk of loss of technological relevance of solutions

The IT market is an evolving market, with a fast rate of change. The business development plan takes into account the identification of technological trends and positioning in the first part of the adoption curve, the so-called 'first mover' position. There is a risk that the management does not correctly identify trends and that the investments of time and financial resources are misdirected. Such a possibility would affect the company both from a direct financial point of view (non-recoverable investment) and by making the company's offer irrelevant to clients - therefore increasing the risk of loss of income sources.

The risk associated with patent and license dependence, industrial, commercial or financial contracts or new manufacturing processes

The Issuer provides official IT training, meaning that it teaches official curricula developed and licensed by the major global manufacturers such as CISCO, Microsoft, etc. The Issuer does not have multiple delivery contracts and does not operate with stocks. Recurrence contracts come from the fact that the Issuer receives positive feedback from its customers who choose to work with the company in the future.

Certifications from major IT manufacturers (vendors) are obtained by the Issuer on the basis of technical conditions (qualified human resources that promote examinations), by demonstrating procedures and sales standards, by observing the terms of representation imposed by each manufacturer. Should the Issuer fail to meet the conditions imposed by each manufacturer, it risks losing the status of a "certified partner" vis-à-vis any of them. The impact on business of loss of status cannot be accurately assessed, but at present the Issuer believes that the existence of certifications from IT manufacturers is a competitive advantage.



In current activity and in order to continue its development, the Issuer uses various financial products such as working capital loans, credit lines, or finance products such as factoring. These financial products allow the Issuer to provide customers with the commercial conditions they want. Simultaneous loss of access to financial products may have a significant impact on the Issuer's business and, implicitly, its ability to meet its obligations in respect of the Bonds.

Risk of Business commoditization

A special case related to the rapid evolution of the IT industry is the trend for every technology to become 'commodity' (very widespread, very widely adopted) and to be very well understood by customers. In such a business environment, the added value of the "resellers" is a very small one, so such a scenario leads to a decrease in trade margins for business lines that are affected by commoditization. All technologies face this risk as their adoption rate increases. The most eloquent example is Microsoft's licenses business, where most of the projects are billed to customers with very small business margins of 0-2%. As other technologies get the same spread and adoption, also reselling them becomes unprofitable.

The company seeks to position itself as a valuable consultant, not as a reseller of "commodity" boxes. Following technological trends and positioning as a 'first mover' helps the company to deliver added value through its services (consulting, building technical solutions, installation and simplicity, optimization, maintenance).

Risk of unfair competition

Low-margin commoditized businesses are prone to unfair competition, especially through dumping prices. Especially in the Dendrio business, this risk materializes when competitors often offer retail prices that are substantially subdivided below the price of the acquisition of respective licenses. This type of business approach is very difficult and expensive to prove but can cause harm to the company by losing contracts or reducing profitability. The company has not identified any solution to prevent this risk. The company aims to address new customer and customer typologies for whom the added value of the solution offered is not represented by the price reductions, but by its functionality. The more commoditized the business line, the lower the added value that can be provided by an integration partner.

The Issuer is in constant competition with other participants on the IT market and competition is expected to intensify. High competition can encourage both current and potential customers to use the services and products of the Issuer's competitors and thereby adversely affect the Issuer's revenue and profitability.

Strong competition may lead to increased pressure on the Issuer in relation to the prices of products and services offered to customers, which may have a significant impact on the Issuer's ability to increase or maintain profitability. The Competitiveness of the Issuer in the current competitive environment largely depends on its ability to adapt quickly to new developments and market trends, to the extent that the Issuer cannot effectively compete with its competitors, whether it is a local or international group, this may have a negative effect on the Issuer's business, financial situation, results and prospects.

Cybersecurity and Other Technological Risks

The Issuer's activity is subject to a high risk of evolving cyber-attacks. The Issuer's systems, software, and networks have been and will continue to be vulnerable to unauthorized access, loss or destruction of data (including personal data and confidential information about customers), unavailability of the service,



computer viruses, or other hostile codes, cyber-attacks and other similar events. These threats can be caused by human errors, fraud or ill-will of the employees or third parties or by accidental technological failures.

The occurrence of one or more of such events could lead to the disclosure of confidential information of the customers, to the deterioration of the Issuer's reputation in front of the customers and the market, additional costs for the Issuer (such as those for system repair or for supplementing staff or protection technologies), fines from competent authorities and financial loss to the Issuer. Such events could also cause interruptions or inappropriate operation of the Issuer's operations as well as the operations of its clients or other third parties. Disaster recovery, security, and business continuity recovery measures that the Issuer has undertaken or might undertake in the future may prove insufficient to prevent losses. In addition, certain errors or actions may be repeated or aggravated before they are discovered and corrected, which would increase these costs and worsen the consequences.

In addition, third parties with which the Issuer has a business relationship based on strict contractual arrangements may also generate cybersecurity or other technological risks. Even if the Issuer takes a number of actions to eliminate these risks, such as prohibiting third party access to systems and operating a strictly controlled IT environment, unauthorized access, loss or destruction of data or other cyber incidents may arise, which may generate costs and consequences for the Issuer, as mentioned above.

Risk related to protection of personal data

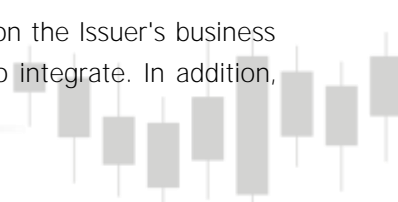
In its activity, the Issuer collects, stores and uses data that is protected by personal data protection laws. Although the Issuer takes precautions to protect customer data in accordance with legal requirements for privacy protection, data leaks may occur in the future. Moreover, the Issuer works with third-party vendors or third parties who may not fully comply with the relevant contractual terms and the data protection obligations imposed on them.

Unspecified IT problems, system failures, unauthorized access to the Issuer's computer networks or other deficiencies may result in the inability to maintain and protect customer data in accordance with applicable regulations and requirements and may affect the quality of the Issuer's services and compromise the confidentiality of its customer data or cause interruption of service, resulting in fines and other penalties. Also, with the entry into force of the General Data Protection (EU) Regulation 2016/679 (GDPR) on May 25th, 2018, the Issuer is subject to respecting requirements regarding the processing of personal data, the non-observance of which may attract several types sanctions, including fines of up to 4% of global turnover, or up to EUR 20 million (whichever is the greater); in addition, if they have suffered damage, the persons concerned may obtain compensation to cover the amount of such damage and their rights may also be represented by collective bodies.

Acquisition risk

The Issuer has carried out and may directly or indirectly carry out additional acquisitions in the future (including the takeover of the Crescendo IT & C integration process and its integration into the Dendrio business), according to opportunities, within its existing lines of business or complementary activities (in order to integrate those lines of activity into its activity).

However, it is possible that estimating the financial effects of any such transaction on the Issuer's business may not be successful, especially since the entities acquired may find it difficult to integrate. In addition,



M&A activity may distract management's attention or divert financial or other resources from the Issuer's existing business or may require additional expenses. Such developments could have a significant negative effect on the Issuer's business, results and operations.

Acquisition of new companies or assets or the take-over of companies may be limited by many factors, including the availability of funding, the prevalence of complex ownership structures of potential targets, government regulations, and competition from other potential buyers. If purchases are made, there is no guarantee that the Issuer will be able to maintain the customer base of the companies it acquired, generate the expected margins or cash flows or realize the anticipated benefits of these acquisitions, including expected growth or synergies. Analyses of potential acquisition targets are subject to a number of assumptions about profitability, growth, interest rates and valuations. There is no guarantee that the Issuer's valuations and assumptions about the acquisition targets will prove to be correct, and actual developments may differ significantly from the Issuer's expectations.

Even if the Issuer (directly or indirectly) successfully acquires new companies, their integration may be difficult for a variety of reasons, including due to the diversity of styles and management systems, inadequate infrastructure and poor records or weak internal controls. Additionally, the integration of any potential acquisitions may require significant initial investment and ongoing costs that may result in tax liabilities or fines imposed by regulators. The process of integrating activities may disrupt the Issuer's operations and cause interruption, loss of pace, or a decrease in the results of operations due to costs, challenges, difficulties or risks, including:

- making economies of scale; eliminating repetitive general expenses;
- staff integration (and maintenance), financial and operational systems;
- unforeseen legal, regulatory or contractual issues and other issues;
- unforeseen challenges resulting from operating in new geographical areas (ie outside the territory of Romania); and
- distracting management's attention from day to day work as a result of the need to address the challenges, disturbances and difficulties mentioned above.

Moreover, even if the Issuer succeeds in successfully integrating its activities with new ones, the expected synergies and cost savings may not materialize as expected or not materialize at all, generating profit margins lower than expected. There is no guarantee that the Issuer will successfully acquire new business or will accomplish any of the anticipated benefits from the companies it will purchase in the future.

As noted above, purchases made by the Issuer could adversely affect the Issuer's activity, financial condition, results and prospects and could affect the Issuer's ability to meet its financial obligations.

The risk associated with the particularities of taking over the IT&C integration division of Crescendo International S.R.L

The general risks associated with the direct or indirect purchases that the Issuer has already made or will carry out in the future described under the "Acquisition Risk" sub-section are fully applicable to the acquisition by Dendrio of the IT&C integration division from Crescendo International.

From the perspective of the way in which the investment was built, the qualification of a transaction between Dendrio and Crescendo as a business transfer, both in terms of tax and employee rights (at local and EU level), is essential. This qualification depends, however, on a number of aspects, including the independence and economic identity of the taken over business. The Issuer's efforts have been and are to identify the Transferred Elements, so that the IT&C integration activity to be taken over from Crescendo

retains these characteristics (independence and economic identity). However, in the event of a dispute which calls into question the classification of the transaction between Dendrio and Crescendo (eg by tax authorities and / or transferred staff), there is no guarantee that the same assessment will be made by the court in question. To the extent that the operation between Dendrio and Crescendo would be removed from the scope of the business transfer, the negative effects could be the ineffectiveness of the takeover of Crescendo employees, considered by the specificity of the taken business, the most important element of the business transfer concerned and / payment of VAT by Dendrio to Crescendo (in a case where VAT would not be considered part of the price) in the context of the Business Transfer Agreement, generating in this case a limited liquidity risk for Dendrio.

In addition to the particularities of the Crescendo IT&C integration takeover structure and the relevant documentation, the specificity of the taken over activity and the Transferred Elements, presents for the Issuer and Dendrio challenges that can decisively influence the integration of Crescendo's activity, customer base, margins, anticipated cash flows or realized earning benefits, including expected growth or synergies, as follows:

- since the takeover of the Crescendo IT & C integration is the largest investment of the Group, there is a risk for the Issuer not to quantify the time and human resources effort to integrate the operations and culture of the two teams, and the materialization of this risk may lead to the failure to achieve the business objectives, respectively the lack of the anticipated revenue and expenditure budget;
- the current market, suppliers and customers of the Issuer (including Dendrio) and Crescendo may not perceive well the takeover of Crescendo's IT C integration business, which may lead to the loss of some of the clients from the two companies;
- there is the possibility for team members not to consider the Issuer's (including Dendrio) and Crescendo's decision as a positive one and to choose a career opportunity in other companies in the market. The issues reflected in the subsection *Risk associated with labour market and key personnel* are equally applicable to the Crescendo staff that transferred to Dendrio under the Business Agreement. The negative impact of this risk is amplified in the context of the investment envisaged, as the most important element of the business transfer are the employees of the Crescendo IT&C integration team;
- When looking at the revenue structure of Crescendo's IT&C integration division, the public sector clients have a significantly higher share than in the structure of the Issuer / Dendrio, and this change may negatively affect Dendrio's image.

Each and/or all the above risks may have a material and negative effect on the activity, financial condition, results of operations and prospects of the Issuer and the Group and on the Issuer's ability to fulfill its obligations in relation to the Bonds.

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

The alternative trading system administered by the Bucharest Stock Exchange was created from the need to provide entrepreneurs with an alternative for financing development. Potential investors in securities listed on this market (including Bonds) should consider that an alternative trading system is a market primarily for companies of smaller size and start-ups, for which there is a tendency for a higher investment risk than for securities admitted to trading on a regulated market.



The alternative trading system is not a regulated market within the European directives and Romanian capital market legislation, but is regulated by the rules and requirements established by the Bucharest Stock Exchange. The alternative system was set up by the Bucharest Stock Exchange in order to offer a market with fewer reporting requirements from issuers, but at the same time with enough level of transparency for investors to motivate them to trade.

Post-listing requirements for listed companies under the Alternative Trading System administered by the Bucharest Stock Exchange are less stringent than the regulated market. The Bucharest Stock Exchange has specific characteristics in terms of liquidity and market volatility and the value of quoted securities. These factors can have a significant impact on the trading price of the Issuer's Bonds or Shares.

The trading on the Bucharest Stock Exchange can be suspended

The Financial Supervisory Authority ("ASF") is authorized to suspend trading of securities or to request the Bucharest Stock Exchange to suspend from trading the securities traded on the Bucharest Stock Exchange if the continuation of the trading would adversely affect the interests of the investors, taking into consideration measures against market manipulation and transactions based on inside information. The Bucharest Stock Exchange must suspend the trading of securities that do not meet the requirements of the alternative trading system administered by the Bucharest Stock Exchange, unless such action could adversely affect investors' interests or the smooth functioning of the market. If the Bucharest Stock Exchange does not undertake such actions, the ASF may request the suspension of trading in securities if this serves the proper functioning of the market and does not affect the interests of the investors. Also, the Bucharest Stock Exchange has the right to suspend Shares or Bonds from trading in other circumstances, in accordance with its regulations. Any suspension could affect the trading price of the Shares or the Bonds and also could affect their transfer.

Risk associated with direct investment in shares

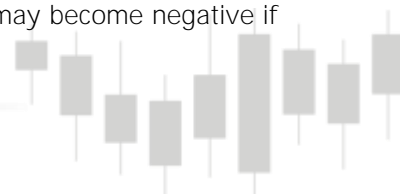
Shareholders should be aware of the risk associated with direct investment in shares, which is greater than the risk associated with investing in government bonds or in an investment fund, mainly because of the volatility and unpredictable nature of share prices, both on short and long-term.

Bondholders are exposed to the risk that the Bond price will decrease as a result of the change in the interest rate on the market

While the nominal interest rate of the Bonds is fixed during the respective Bonds period, the current market interest rate for issuers with the same maturity (the "market interest rate") is usually changing on a daily basis. As the market interest rate changes, the Bond price changes in the opposite direction. If market interest rate increases, the fixed interest rate Bonds typically decrease until their return is approximately equal to market interest. If market interest rate decreases, the price of Fixed Interest Bonds typically increases until their return is approximately equal to market interest. However, if the Fixed Interest Bond Holder keeps these Bonds until maturity, the changes in market interest are not relevant to such a holder because the Bonds will be redeemed at their nominal value.

Inflation may reduce the value of the future principals and interest payments

The value of future principal and interest payments may decrease as a result of inflation as the real interest rate on investment in bonds will be reduced to an increase in the inflation rate and may become negative if the inflation rate exceeds the nominal value of the Bond interest rate.



Risk associated with changing law and taxation rules in Romania

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

On the other hand, all 'unofficial' history shared by tax consultants and other managers or entrepreneurs can be summed up in the colloquial phrase "no matter what you do, you will surely receive the fine" - so we consider this risk a major one for the company because it cannot be addressed in any way in a preventive way.

Risk associated with lawsuits

In the context of day-to-day operations, the Issuer can be a subject to a litigation risk, inter alia, as a result of changes and developments in the law. In addition, the Issuer may be affected by other contractual claims, complaints and litigation, including from counterparties with which it has contractual relations, customers, competitors or regulatory authorities, as well as any negative publicity it would attract.

1.9. Estimates of the company's future activity

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

- consolidating the position of the IT Training market leader with intention of maintaining the perception of a 'one stop shop' provider of IT training in Romania, where the client finds the full range of IT courses. 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, hybrid cloud, virtualization;
 - cybersecurity;
 - 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 cloud services, cybersecurity, robotizing and process automatization, 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 to follow the strategy of accelerated growth in terms of 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 profit.

II. The company's 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 tangible assets. The Company owns computing assets (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 grant received from Regio, code SMIS, project 18446.

This equipment can be found at Timisoara Boulevard, no. 26, "Plaza Romania Offices" building, first floor, district 6, Bucharest.

Dendrio Solutions SRL - a company fully owned by the Issuer - has at the end of 2018 completed a "business transfer" from Crescendo International. According to the evaluation report made by an independent evaluator, the company transferred tangible assets (IT equipment and cars), used, with a low usage tear, in the value of RON 1.53 million, all being already at the company's headquarters in Bd Timisoara nr 26, 1st floor, Plaza Offices, sector 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 activity - little one. From the point of view of moral depreciation, most of the equipment subject to 'moral' wear and tear. However, with the move to the new headquarters, the company undertook a gradual renewal of the IT equipment used by employees and trainees, opting for a 'pay as you go' approach - equipment rental rather than investment in tangible assets - according to the mandate given by the GSM in April 2017.

This approach was applied to all tangible assets that could benefit from funding: glass partitions, carpet, chairs, desks, laptops, PCs, monitors, network equipment, security equipment, software licenses, etc.. The company intends to continue this pattern of use of tangible assets.

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

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



2.4 Intangible assets of the Issuer

Although this chapter is not formally required in the annual report, taking into consideration the company's specificity and the events that took place in 2018, we consider it appropriate to describe the significant intangible assets of Bittnet Group.

Goodwill following the transaction with Crescendo International: RON 9.37 million

For the business transfer of Crescendo International, Dendrio Solutions paid RON 10.9 million. According to the valuation report by the independent certified assessor Sturza Eugen, the market value of the transferred assets (IT equipment, plus office equipment and cars) was RON1.53 million. In other words, the goodwill for this transaction is worth RON 9.37 million. The goodwill represents the value attributed to the business itself - the ability of the team to generate continuous revenue, in the new formula.

This value may increase in the period 2020-2022 by between RON 5.45 and 10.9 million, according to the business development contract signed by the issuer with the key personnel of the transferred team. This contract implies a performance bonus for successful business transfer to Dendrio Solutions, the success being defined by generating for Dendrio a gross margin of EUR 3.3 million. Depending on the degree of achievement of this target, the success fee may be 0 (zero) or any value between RON 5.45 and RON 10.9 million, proportional to the degree of attainment of the contractual target.

"Bittnet" brand: RON 5.87 million

In 2018 the company and the founding shareholders managed to identify the technical solution to transfer the Bittnet brand from its holder to the company, without generating costs for minority shareholders. Thus, the company has finally acquired the trademark from its holder for RON 5.87 million, the value established in an assessment report prepared by an independent certified assessor Sturza Eugen. The founders took over the burden of the company's debt to the owner of the brand in person, thus generating zero costs for the company or for the minority shareholders. The founders are to settle this debt by transferring personal patrimony shares to the former owner of the mark. For the company, and therefore for the minority shareholders, this transaction did not generate costs but actually brought revenues, because the company acquired a valuable asset without having to pay for it.

SOP2016: RON 3.9 million

Reaching the maturity of the first incentive plan for key people with options to buy the Company's shares at a preferential price generated, as expected, an increase in the company's assets and liabilities - with the value of the option.

In 2018 option-holders exercised the option to acquire shares from the company under the incentive plan ("SOP2016") and the company agreed with them to settle the cash value of the options, thus recording a liability to the option-holders. During the first quarter of 2019, the company increased its capital by issuing a number of shares in the creditors' (option) accounts so as to settle the claim. The number of shares was calculated by dividing the company's debt at the market price per share, at the moment of the increase, resulting in a number of 3,477,967 shares.



Goodwill from previous M&A activity

Similar to the goodwill resulting from the Crescendo transactions, in issuer's books figure the following amounts related to the previous (smaller) transactions:

- a. Gecad Net: RON 2.2 million
- b. Elian Solutions: RON xxx
- c. Equatorial Gaming: RON xxx

III. The market for the securities issued by the company

- +59% growth for BNET stock in 2018
- New corporate bonds issuances: BNET23, BNET23A
- Preliminary repayment of BNET19 issuance

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 on the Bucharest Stock Exchange on the AeRO - ATS market, premium category, symbol BNET, ISIN code ROBNETACNOR1.

2018 was a year of continued efforts to strengthen the status of a highly transparent public company (included in the "Premium" category of the AeRO-ATS market), which uses financing mechanisms of the capital market. In this regard, our efforts were rewarded with the prize for Best IR Team in Central and Eastern Europe at CEE Capital Markets Gala Awards in Warsaw in autumn 2018.

In 2018 we continued to operate on the capital market, following Banca Transilvania, Impact or Albalact successful models, that combine capitalization of profits through distribution of free shares and offering investors new shares at advantageous prices. The General Shareholders' Meeting of April 2018 approved such a combined operation, which was carried out with the help of the Central Depository and the Bucharest Stock Exchange, in two stages:

- In July 2018, free shares (6 free shares for each 10 shares held) were distributed and loaded to the shareholders' trading accounts.
- In January 2019, we completed a new share capital increase with new cash contributions - an operation that brought in the company's treasury almost RON 3 million; the maximum number of new shares were completely subscribed, similarly with the the same operations from previous years.

At the same time, the market appreciated the activity of our company. The evolution of BNET shares was yet again one well above the market average, as indicated by the BET index. We also consider important to mention the liquidity of Bittnet shares (BNET), which were traded in 3500 transactions, thus becoming the most traded issuer on the AeRO market, an accomplishment for which we received an award at the Brokers Association Gala in December 2018. During 2018, a volume of 4,542,255 BNET shares, that is 35% of the free float, were traded in the secondary market (excluding the DEAL transactions).





All 4 corporate bonds issue of the company are listed on AeRO for bonds, under symbols BNET22, BNET23, BNET23A and the issuance of BNET23C bonds is about to take place in March-April 2019.

14,585 of BNET22 bonds changed their holders in 388 transactions throughout 2018, which represents 32.41% of the total volume of the issuance.

Regarding BNET23 issue, there has been a growing trading volume since the listing of the bonds in November 28, 2018. In just 19 sessions, 5,235 BNET23 bonds changed the owners in 176 executed orders, with a total value of RON 536,392.42, which places this issue as the most traded in the history of Bittnet.

On the date of 07.02.2019 the company announced, through a current report, that it will exercise the call-back option through which it repaid in full the face value to the borrowers. The operation was finalized on 22.02.2019.



3.2. Description of the company's dividend policy

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 financial years. Bittnet activates in a very dynamic industry - Information Technology. Until now we managed to attain significant growth 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.

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.

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.

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.

In line with the dividend policy, in 2016, 2017 and 2018, the GSM has decided to reward shareholders by capitalizing the company's profits and giving free shares - one operation each year. Management also proposed for the April 2019 GSM the same approach, with the distribution of free shares in a proportion of 1: 1 to the shares held.

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

Not applicable – the issuer did not carry out any of such operations in the course of last 3 years.

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.

Starting with September 2017, the company wholly owns company Dendrio Solutions SRL ("daughter company" or "subsidiary") and has estimated 51% in company Elian Solutions SRL. None of these companies detains any shares or bonds issued by Bittnet.



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.

Between January 14th and 18th, 2019, the company carried out a private placement for its 5th corporate bonds issuance - BNET23C, which attracted subscriptions totaling 10,000,000 lei, representing 100,000 bonds, the maximum value of the issue BNET23C, in accordance with the Decision of the Unique Administrator and the Offer Document and according to the AGM decision of April 25, 2018. The BNET23C bonds are nominative, dematerialized, corporate, unconvertible and unsecured. BNET23C bonds have a face value of 100 lei, a maturity of 4 years, and a fixed interest rate of 9% per annum, payable half-yearly. The brokerage syndicate for sale was made up of S.S.I.F. Tradeville S.A. and S.S.I.F. Goldring S.A. The attracted investment will be used to fund the working capital and current activity of the Bittnet Group.

On December 27th, 2018, Bittnet has successfully closed the 4th private placement of corporate bonds, 2nd one from 2018. During BNET23A placement, the Company obtained RON 9,703,700 from 20 individual investors and one legal person. During the placement process, 21 transactions totaling 97,037 nominative, dematerialized, unconvertible, unsecured corporate bonds, with a face value of 100 lei / bond, were settled through the Bucharest Stock Exchange mechanisms (POFBX market).

BNET23A bonds have 5 years maturity, fixed interest rate of 9% per year, payable semi- annually and the allocation date is 28.12.2018. The company used the funds raised in the BNET23A issue to finance the business transfer of Crescendo International's IT&C division and its integration into Bittnet Group structure, according to the approval of the EGMS on 17 December 2018.

BNET23A bonds floated on Bucharest Stock Exchange's ATS-Bonds market on February 18th, 2019, under BNET23A symbol.

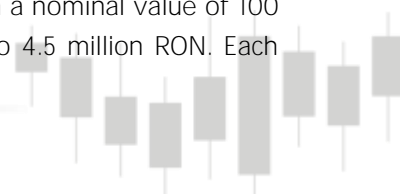
On June 26th, 201, the private placement for Bittnet's 3rd corporate bond issuance begun. The offering has closed on July 4th and the Company has managed to successfully raise RON 4.7 million. The most part of this capital raised fueled the acquisition of a 51% stake in ELIAN Solutions and 25% stake in Equatorial Gaming, while the remaining amount was used as working capital.

The bonds have a face value of RON 100, a maturity of 5 years and a yearly coupon of 9%, payable quarterly. The placement was subscribed by 32 natural persons, 1 legal entity and 3 investment funds.

Due to the large interest coming from investors, the offering was closed 9 days ahead of the end of the subscription period, which was initially established for July 13th.

In accordance with the resolution of the Extraordinary General Shareholders' Meeting from April 25th, 2018, BNET23 bonds floated in November 2018 on the ATS-Bonds market operated by the Bucharest Stock Exchange, under BNET23 symbol.

Between August 28th and September 8th, 2017, Bittnet conducted another offer for the sale of bonds through private placement under the EGSM decision no. 5 of 26 April 2017. 45,000 bonds with a nominal value of 100 lei each were subscribed, which raised the amount attracted in the BNET22 issue to 4.5 million RON. Each



bond has a fixed interest payer, 9% p.a. and the principal reimbursement will be made in September 2022. The subscriptions were made by 19 individuals. BNET22 bonds were admitted to trading on the Bonds-ATS market of the Bucharest Stock Exchange on November 21st, 2017.

On July 18, 2016 Bittnet informed shareholders about the success of the sale of corporate bonds in a private placement, 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. A total of 4186 bonds were subscribed during the placement, raising the total amount of the placement to RON 4.186.000. The subscriptions were made by 36 individuals and 4 legal entities. Funds raised were used to support the company's current activities and to continue accelerated development plans. The company bonds were admitted for trading on the Bonds-ATS market of the Bucharest Stock Exchange on September 28, 2016 under the trading symbol BNET19. In February 2019, the company redeemed the whole issuance of BNET19 bonds, in line with the provisions from the presentation document. This operation represented a premiere for the Romanian capital market.

Trading of the bonds

All 3 bond issuances continued to be highly traded, providing the initial investors with liquidity as well as relevant returns for new investors/buyers. All the bond issues were traded above the face value - up to a maximum of 106%. The BNET19 bonds were redeemed by the company in February 2019 to reduce the company's indebtedness rate and financial expenses.

During 2018, the BNET19 bonds were traded in a number of 159 transactions, which represents a volume of 1.271 bonds (30.36% of the total issue of 4,186 bonds) and a cumulated value of RON 1,306,211.27;

With regard to BNET23 issue, there has been a growing trading volume since the listing of the bonds in November 28, 2018. In just 19 sessions, 5,235 BNET23 bonds changed the owners in 176 executed orders, with a total value of RON 536,392.42, which places this issue as the most traded in the history of Bittnet.

As regards BNET22, 14,585 of BNET22 bonds changed their holders in 388 transactions throughout 2018, which represents 32.41% of the total volume of the issuance.



The company is up to date paying coupons to bondholders for all bond issues. The Issuer has calculated the payment of coupons for its bond issues so as not to put additional treasury pressure and thus remedy the cash flow risk, as outlined in the Risks section of this Report.

IV. **Company's management**

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

- a) CV (family name, first name, qualification, age, 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.

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, from March 2015 until June 2021.

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 Capatina, Bittnet has put together a consultative Board, composed of people with a special reputation due to their rich entrepreneurial and managerial experience: Sergiu NEGUȚ, Andrei PITIȘ and Dan STEFAN. Starting 2015 with, Dan BERTEANU joined the Advisory Board of Bittnet. With the acquisition of Gecad Net by the Issuer, Mr. HERGHELEGIU Cristian joined the executive team. Starting with 2019, Mr. Herghelegiu is VP for Technologies and Mr. Berteanu is VP for Education.

The Board meets at least 4 times a year, when internal management reports are presented to the members, 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 3 years and Bittnet continues to rely on their help.

Mihai Logofătu – 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 **8.732.148** shares which account for **16,87%** of share capital and 16,87% 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 Logofătu – 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 8.428.687 shares which account for 16,28% of share capital and 16,28% of voting 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 Neguț – 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:

2017 – Present FintechOS - co-founder, board member

2017 – Present RBL Foundation – board member

2015 – Present Euro IT group Ltd. UK – Partner, Board Member

2014 – Present Softelligence – Partner, Board Member

2014 – 2014 Mindit Consulting - Partner

2013 – Present Maastricht School of Management România, Associated Dean Entrepreneurial Growth

2012 – Present SVP Consult, Shareholder

2013 – Present 2Performant SA, Shareholder Partner

2011 – Present Good People SA (frufu) Shareholder 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 419.221 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 is an Active partner in: 2Performant network SA, Good People SA, Softelligence, Fintech OS, Euro IT Grup LTD.
- 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 Pitiş – 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 – 2016 Vector Watch, Founder & CTO
- 2012 – 2016 ANIS, President
- 2016 – 2018 ANIS, VicePresident
- 2011 – 2016 Clevertaxi, Board Member
- 2017 – Present. Fitbit, VP Engineering & head of Bucharest Office
- 2017 – Present AmCham, Vice-Chair IT&C Committee

Percent of shares held in the Company

Andrei holds 386.991 of the Company’s shares which account for 0,75% in share capital and 0,75% of voting rights

Additional Regulatory Disclosure Info

- Member of the following NGOs: President of ANIS – the National Association of Software Producers, Member of TechAngels and Member of Tech Lounge - Innovation Labs.
- Currently Active partner in: TechMind (Simple Systems) si PenTest Tools. In trecut a fost activ in: I-rewind, Vector Watch, Clevertaxi
- 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 Ștefan – Member of Advisory Board

LinkedIn Profile

[dz.linkedin.com/in/danstefan/ro](https://www.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'Orleans
- 1997 – 2001 Bachelor's Degree, International Trade, Academia de Studii Economice din Bucuresti

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 376.211 of the Company's shares which account for 0,73% in share capital and 0,73% of voting rights.

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:

- December 2017 – Present – Member of Board at VITAS IFN SA
- 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

Dan holds 1.789.303 of the Company's shares which account for 3,46% in share capital and 3,46% of voting rights.

Additional Regulatory Disclosure Info

- Visiting Professor at the Polytechnic University
- Board Member at Romanian Business Leader
- Mentor for different business accelerators and student associations
- Currently active partner in: Equatorial Training SRL and Equatorial Gaming 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.

Cristian Herghelegiu – VP Technology

Profil LinkedIn

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

Education

- 2006 – 2008 Asebus - partner of Kennesaw State University - Finance for Managers
- 1991 – 1996 Military Technical Academy – BS in Aeronautics

Professional Experience

- 2018 – Present : Administrative Representative at Gecad (Dendrio)
- 2013 – 2018 General Manager GECAD NET
- 2013 – General Manager elephant.ro
- 2011 – 2013 Gecad ePayment/PayU Romania Country manager
- 2008 – 2010 Central Europe On-Demand Country manager, Romania
- 2004 – 2008 Microsoft Business Solutions Lead



Percent of shares held in the Company

Dan holds 484.577 of the Company's shares which account for 0,94% in share capital and 0,94% of voting rights.

Additional Regulatory Disclosure Info

- Currently active partner in: Byte Consult SRL, Analytics On-Demand 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.

Starting 2017, Bittnet has acquired majority and minority stakes in other companies. Next we present the Balance Sheet and the Consolidated Profit and Statement at Group level. The individual financial results of the group companies have been audited, but this form of presentation has not been audited:



BALANCE SHEET – Group

Indicator	Consolidated 31-12-17	Consolidated 31-12-18	Evolution
A. ACTIVE IMOBILIZATE			
I. IMOBILIZARI NECORPORALE	2,332,683	22,932,916	883%
din care Fond comercial	2,169,643	12,901,616	495%
II. IMOBILIZARI CORPORALE	3,202	1,697,105	52901%
III. IMOBILIZARI FINANCIARE	-	-	
Titluri puse in echivalenta	-	190,753	
ACTIVE IMOBILIZATE - TOTAL	2,335,885	24,820,774	963%
B. ACTIVE CIRCULANTE			
I. STOCURI	712,713	838,231	18%
II. CREANTE	16,039,537	23,468,377	46%
III. INVESTITII PE TERMEN SCURT	-	-	
IV. CASA SI CONTURI LA BANCII	11,061,554	13,070,252	18%
ACTIVE CIRCULANTE - TOTAL	27,813,804	37,376,860	34%
C. CHELTUIELI IN AVANS	1,241,658	1,934,669	56%
Sume de reluat într-o perioada de pâna la un an (din ct. 471)	512,092	1,173,054	129%
Sume de reluat într-o perioada mai mare de un an (din ct. 471)	729,566	761,615	4%
D. DATORII: SUMELE CARE TREBUIE PLATITE INTR-O PERIOADA DE PANA LA UN AN	15,251,025	28,275,887	85%
E. ACTIVE CIRCULANTE NETE/DATORII CURENTE NETE	13,074,871	10,274,027	-21%
F. TOTAL ACTIVE MINUS DATORII	16,140,322	35,856,416	122%
G. DATORII: SUMELE CARE TREBUIE PLATITE INTR-O PERIOADA MAI MARE DE UN AN	9,882,703	21,483,917	117%
H. PROVIZIOANE	-	-	
I. VENITURI IN AVANS)	-	-	
Fondul comercial negativ (ct.2075)	-	-	
J. CAPITAL SI REZERVE	-	-	
I. CAPITAL din care:	3,044,426	5,175,524	70%
1. Capital subscris varsat (ct. 1012)	3,044,426	5,175,524	70%
2. Capital subscris nevarsat (ct. 1011)	-	-	
3. Patrimoniul regiei (ct. 1015)	-	-	
4. Patrimoniul institutelor naționale de cercetare-dezvoltare (ct. 1018)	-	-	
5. Alte elemente de capitaluri proprii (ct. 1031)	-	-	
II. PRIME DE CAPITAL (ct. 104)	680,247	2,594,889	281%
III. REZERVE DIN REEVALUARE (ct. 105)	-	-	
IV. REZERVE (ct. 106)	164,559	210,693	28%
Rezerve consolidate	10	-13,075	-130850%

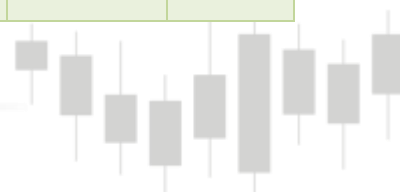
Indicator	Consolidated 31-12-17	Consolidated 31-12-18	Evolution
Actiuni proprii (ct. 109)	-	-	
Castiguri legate de instrumentele de capitaluri proprii (ct. 141)	-	-	
Pierderi legate de instrumentele de capitaluri proprii (ct. 149)	-	-	
V. PROFITUL SAU PIERDEREA REPORTAT (A) SOLD C (ct. 117)	896,861	1,221,979	36%
SOLD D (ct. 117)	-	-	
VI. PROFITUL SAU PIERDEREA EXERCITIULUI FINANCIAR SOLD C (ct. 121)	1,566,927	5,013,936	220%
SOLD D (ct. 121)	-	-	
Repartizarea profitului (ct. 129)	95,411	46,135	-52%
IX. INTERESE MINORITARE din care SOLD C (ct.108)	-	214,688	
Sold D (ct.108)	-	-	
CAPITALURI PROPRII -	6,257,619	14,372,499	130%
Patrimoniul public (ct. 1016)	-	-	
Patrimoniu privat (ct. 1017)	-	-	
. CAPITALURI - TOTAL	6,257,619	14,372,499	130%



Profit and Loss Statement – Group

Indicator	Consolidat 31-12-17	Consolidat 31-12-18	Evolutie
1. Cifra de afaceri netă	43,307,490	51,147,241	18%
Productia vânduta	13,209,115	21,661,147	64%
Venituri din vânzarea marfurilor	30,098,375	29,552,968	-2%
Reduceri comerciale acordate	-	66,874	
Venituri din subventii de exploatare aferente cifrei de afaceri nete	-	-	
2. Venituri aferente costului producției în curs de execuție	138,912	-	-100%
Sold C			
Sold D	-	11,661	
3. Productia realizata de entitate pentru scopurile sale proprii si capitalizata	-	-	
4. Venituri din reevaluarea imobilizarilor corporale	-	-	
7. Alte venituri din exploatare	229,380	5,895,133	2470%
- din care, venituri din fondul comercial negativ	-	-	
- din care, venituri din subventii pentru investitii	-	-	
VENITURI DIN EXPLOATARE - TOTAL	43,675,782	57,030,713	31%
8.a) Cheltuieli cu materiile prime si materialele consumabile)	865,109	49,570	-94%
Alte cheltuieli materiale	289,114	885,453	206%
b) Alte cheltuieli externe (cu energia si apa)	53,920	41,065	-24%
c) Cheltuieli privind marfurile	26,795,794	27,687,571	3%
Reduceri comerciale permise	598,690	1,040,722	74%
9. Cheltuieli cu personalul din care:	2,679,760	3,065,175	14%
a) Salarii si indemnizatii	2,184,346	2,976,337	36%
b) Cheltuieli cu asigurarile si protectia	495,414	88,838	-82%
10.a) Ajustări de valoare privind imobilizările corporale si necorporale	99,282	179,980	81%
a.1) Cheltuieli	99,282	179,980	81%
a.2) Venituri	-	-	
b) Ajustări de valoare privind activele circulante (rd. 29-30)	(1,000)	-	-100%
b.1) Cheltuieli	-	-	
b.2) Venituri	1,000	-	-100%
11. Alte cheltuieli de exploatare	10,603,062	19,102,381	80%
11.1. Cheltuieli privind prestatile externe	10,490,644	18,890,110	80%
11.2. Cheltuieli cu impozite, taxe si varsaminte asimilate; ch. reprezentând transferuri si contributii datorate în baza unor acte speciale	9,770	21,358	119%
11.3. Cheltuieli cu protectia mediului inconjurator	-	-	
11.4 Cheltuieli din reevaluarea imobilizarilor corporale (ct. 655)	-	-	
11.5. Cheltuieli privind calamitatile si alte evenimente similare	-	-	
11.6. Alte cheltuieli	102,648	190,913	86%

Indicator	Consolidat 31-12-17	Consolidat 31-12-18	Evolutie
Ajustări privind provizioanele	(40,947)	-	-100%
- Cheltuieli (ct. 6812)	-	-	
- Venituri (ct. 7812)	40,947	-	-100%
CHELTUIELI DE EXPLOATARE – TOTAL	40,745,404	49,970,473	23%
PROFITUL SAU PIERDEREA DIN EXPLOATARE:			
- Profit (rd. 16 - 42)	2,930,378	7,060,240	141%
- Pierdere (rd. 42 - 16)	-	-	
12. Venituri din interese de participare	-	-	
- din care, veniturile obtinute de la entitatile afiliate	-	-	
13. Venituri din dobânzi	2,067	76,304	3592%
- din care, veniturile obtinute de la entitatile afiliate	-	33,658	
14. Venituri din subventii de exploatare pentru dobânda datorata	-	-	
15. Alte venituri financiare	224,134	371,214	66%
- din care, venituri din alte imobilizari financiare (ct. 7615)	-	-	
VENITURI FINANCIARE – TOTAL	226,201	447,518	98%
16. Ajustări de valoare privind imobilizările financiare si investitiile financiare deținute ca active circulante	-	-	
- Cheltuieli (ct. 686)	-	-	
- Venituri (ct. 786)	-	-	
17. Cheltuieli privind dobânzile (ct. 666*)	647,051	1,242,904	92%
- din care, cheltuieli in relatia cu entitatile afiliate	-	-	
Alte cheltuieli financiare	430,473	460,578	7%
CHELTUIELI FINANCIARE – TOTAL	1,077,524	1,703,482	58%
PROFITUL SAU PIERDEREA FINANCIAR(A):			
- Profit	-	-	
- Pierdere	851,323	1,255,964	48%
VENITURI TOTALE	43,901,983	57,478,231	31%
CHELTUIELI TOTALE	41,822,928	51,673,955	24%
18. PROFITUL SAU PIERDEREA BRUT(A):			
- Profit	2,079,055	5,804,276	179%
- Pierdere	-	-	
19. Impozitul pe profit	317,930	751,268	136%
20. Impozitul specific unor activități	-	-	
21. Alte impozite ne reprezentate la elementele de mai sus (ct. 698)	-	43,482	
22. PROFITUL SAU PIERDEREA NET(A) A PERIOADEI DE RAPORTARE:	-	-	
- Profit	1,761,125	5,009,526	184%
- Pierdere	-	-	
22. PROFITUL SAU PIERDEREA intereselor minoritare	(194,198)	(111,670)	-42%
- Profit	1,566,927	5,013,936	220%
- Pierdere			



Balance Sheet - individual

DESCRIERE	RAND	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18
A. ACTIVE IMOBILIZATE		RON	RON	RON	RON
I. IMOBILIZARI NECORPORALE	1	147,682.00	178,603.00	99,620	9,753,934
II. IMOBILIZARI CORPORALE	2	58,742.00	4,501.00	1,815	643
III. IMOBILIZARI FINANCIARE	3	90,902.00		2,266,254	3,826,254
ACTIVE IMOBILIZATE - TOTAL	4	297,326.00	183,104.00	2,367,689	13,580,831
B. ACTIVE CIRCULANTE					
I. STOCURI	5	13,261.00	408,878.00	416,201	526,044
II. CREANTE	6	4,815,606.00	7,499,261.00	10,313,567	26,988,039
III. INVESTITII TERMEN SCURT	7				
IV. CASA SI CONTURI LA BANCII	8	3,007,788.00	2,354,993.00	10,349,946	9,860,185
ACTIVE CIRCULANTE - TOTAL	9	7,956,004.00	10,263,132.00	21,079,714	37,374,268
C. CHELTUIELI IN AVANS	10	94,669.00	686,217.00	1,164,516	1,694,641
Sume de reluat intr-o perioada de pana la un an					995,474
Sume de reluat intr-o perioada mai mare de un an					699,167
D. DATORII: SUMELE CARE TREBUIE PLATITE INTR-O PERIOADA DE PANA LA UN AN	11	5,623,092.00	3,677,445.00	8,512,531	20,378,052
E. ACTIVE CIRCULANTE NETE/DATORII CURENTE NETE	12	2,421,826.00	6,824,913.00	13,002,133	17,991,690
F. TOTAL ACTIVE MINUS DATORII CURENTE	13	2,719,152.00	7,455,008.00	16,099,388	32,271,688
G. DATORII: SUMELE CARE TREBUIE PLATITE INTR-O PERIOADA MAI MARE DE UN AN	14	499,858.00	4,354,951.00	9,818,415	19,415,307
H. PROVIZIOANE	15				
I. VENITURI IN AVANS	16	305,269.00			
1. Subventii pentru investitii	17	299,514.00			
2. Venituri inregistrate in avans	18	5,755.00			
Sume de reluat intr-o perioada de pana la un an	19	5,755.00			
Sume de reluat intr-o perioada mai mare de un an	20				
3. Venituri in avans aferente	21				

DESCRIERE	RAND	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18
activelor primite prin transfer de la clienti					
Fondul comercial negativ	22				
J. CAPITAL SI REZERVE					
I. CAPITAL	23	450,438.00	1,351,315.00	3,044,426	5,175,524
1. Capital subscris varsat	24	450,438.00	1,351,315.00	3,044,426	5,175,524
2. Capital subscris nevarsat	25				
3. Patrimoniul regiei	26				
4. Patrimoniul institutelor naionale de cercetare-dezvoltare	27				
II. PRIME DE CAPITAL	28	125.00		680,247	2,594,889
III. REZERVE DIN REEVALUARE	29				
IV. REZERVE	30	61,073.00	69,147.00	164,559	210,693
Actiuni proprii	31				
Catiguri legate de instrumentele de capitaluri proprii	32				
Pierderi legate de instrumentele de capitaluri proprii	33				
V. PROFITUL SAU PIERDEREA REPORTAT(A)					
SOLD C	34	392,026.00	507,392.00	896,861	1,245,333
SOLD D	35	-	-	-	
VI. PROFITUL SAU PIERDEREA EXERCITIULUI FINANCIAR					
SOLD C	36	1,033,833.00	1,180,277.00	1,590,291	3,676,077
SOLD D	37	-	-	-	
Repartizarea profitului	38	1,884.00	8,074.00	95,411	46,135
CAPITALURI PROPRII - TOTAL	39	1,919,780.00	3,100,057.00	6,280,973	12,856,381



Profit and Loss Statement – individual

DESCRIERE		31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18
1. Cifra de afaceri neta	1	9,992,994	13,694,914	21,745,520	19,887,510
Productia vanduta	2	4,370,986	7,813,729	12,623,082	12,273,404
Venituri din vanzarea marfurilor	3	5,621,974	5,881,185	9,122,438	7,680,980
Reduceri comerciale acordate	4				66,874
Venituri din subventii de exploatare aferente cifrei de afaceri nete	6	34			
2. Venituri aferente costului productiei in curs de executie					
Sold C			71,913		111,482
Sold D			0		
3. Productia realizata de entitate pentru scopurile sale proprii si capitalizata	9				
4. Alte venituri din exploatare	10	492,263	78,65	33,445	6,704,629
- din care, venituri din fondul comercial negativ	11				
VENITURI DIN EXPLOATARE – TOTAL	12	10,557,170	13,748,024	21,917,877	26,480,657
5. a) Cheltuieli cu materiile prime si materialele consumabile	13	400,784	378,816	827,140	35,719
Alte cheltuieli materiale	14	145,942	189,694	281,067	749,761
b) Alte cheltuieli externe (cu energie si apa)	15			37,773	29,434
c) Cheltuieli privind marfurile	16	5,149,093	4,959,338	7,865,799	7,773,252
Reduceri comerciale primite	17	489	357	104,190	196,980
6. Cheltuieli cu personalul	18	574,947	957,792	1,023,431	641,866
a) Salarii si indemnizatii	19	468,355	780,154	834,238	627,753
b) Cheltuieli cu asigurarile si protectia sociala	20	106,592	177,638	189,193	14,113
7.a) Ajustari de valoare privind imobilizarile corporale si necorporale	21	153,268	114,304	81,669	66,710
a.1) Cheltuieli	22	153,268	114,304	81,669	66,710
a.2) Venituri	23				
b) Ajustari de valoare privind activele circulante	24	1,573			
b.1) Cheltuieli	25	1,573			
b.2) Venituri	26				
8. Alte cheltuieli de exploatare	27	3,389,695	5,434,918	9,250,237	12,220,171
8.1. Cheltuieli privind prestatiile externe	28	3,354,710	5,388,012	9,179,858	12,051,296

DESCRIERE		31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18
8.2. Cheltuieli cu alte impozite, taxe si varsaminte asimilate	29	3,621	1,360	2,342	1,728
8.3. Alte cheltuieli	30	31,364	45,546	68,037	167,147
Cheltuieli cu dobanzile de refinantare inregistrate de entitatile radiate din Registrul general si care mai au in derulare contracte de leasing	31				
Ajustari privind provizioanele	32				
Cheltuieli	33				
Venituri	34				
CHELTUIELI DE EXPLOATARE – TOTAL	35	9,814,813	12,034,505	19,262,926	21,319,933
PROFITUL SAU PIERDEREA DIN EXPLOATARE:					
- Profit	36	742,357	1,713,519	2,654,951	5,160,724
- Pierdere	37	0	0	0	
9. Venituri din interese de participare	38				
- din care, veniturile obtinute de la entitatile afiliate	39				
10. Venituri din alte investitii si imprumuturi care fac parte din activele imobilizate	40				
- din care, veniturile obtinute de la entitatile afiliate	41				
11. Venituri din dobanzi	42	2,28	2,262	1,430	271,064
- din care, veniturile obtinute de la entitatile afiliate	43				229,526
Alte venituri financiare	44	710,403	98,865	84,465	245,010
VENITURI FINANCIARE – TOTAL	45	712,683	101,127	85,895	516,074
12. Ajustari de valoare privind imobiliarile financiare si investitiile financiare detinute ca active circulante	46				
- Cheltuieli	47				
- Venituri	48				
13. Cheltuieli privind dobanzile	49	172,908	328,572	597,714	1,156,494
- din care, cheltuielile in relatia cu entitatile afiliate	50				
Alte cheltuieli financiare	51	60,664	103,124	234,911	306,441
CHELTUIELI FINANCIARE – TOTAL	52	233,572	431,696	832,625	1,462,935
PROFITUL SAU PIERDEREA FINANCIAR(A):					
- Profit	53	479,111	0	0	
- Pierdere	54	0	330,569	746,730	946,861
14. PROFITUL SAU PIERDEREA CURENT(A):					

DESCRIERE		31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18
- Profit	55	1,221,468	1,382,950	1,908,221	4,213,863
- Pierdere	56	0	0		
15. Venituri extraordinare	57				
16. Cheltuieli extraordinare	58				
17. PROFITUL SAU PIERDEREA DIN ACTIVITATEA EXTRAORDINARA:					
- Profit	59				
- Pierdere	60				
VENITURI TOTALE	61	11,269,853	13,849,151	22,003,772	26,996,731
CHELTUIELI TOTALE	62	10,048,385	12,466,201	20,095,551	22,782,868
PROFITUL SAU PIERDEREA BRUT(A):					
- Profit	63	1,221,468	1,382,950	1,908,221	4,213,863
- Pierdere	64	0	0	0	
18. Impozitul pe profit	65	187,635	202,673	317,93	537,786
19. Alte impozite ne reprezentate la elementele de mai sus	66				
20. PROFITUL SAU PIERDEREA NET(A) A EXERCITIULUI FINANCIAR:					
- Profit	67	1,033,833	1,180,277	1,590,291	3,676,077
- Pierdere	68	0	0	0	-



CASH FLOW STATEMENT – individual

DESCRIERE		31 dec 2015	31 dec 2016	31 dec 2017	31 dec 2018
+ Profit sau pierdere	1	1.033.833	1.180.277	1.590.291	3.676.077
+ Amortizari si provizioane	2	153.268	114.304	81.669	66.710
- Variatia stocurilor (-/+)	3	-862.579	276.268	7.323	+109.843
- Variatia creantelor (-/+)	4	+ 1.566.031	+2.683.655	+2.814.306	+16.674.472
+ Variatia datoriilor comerciale (-/+)	5	-241.628	33.916	1.134.369	-2.453.728
+ Variatia altor datorii (-/+)	6	229.333	169.748	1.274.731	+3.561.821
+= Flux de numerar din activitatea de exploatare	7	471.354	-1.461.678	+1.259.431	-12.233.435
- Investitii efectuate - total, din care:	8	119.031	90.984	2.266.254	11.279.852
+= Flux de numerar din activitatea de investitii	9	-119.031	-90.984	-2.266.254	-11.279.852
+ Variatia sumelor datorate institutiilor de credit (= -) -total, din	10				
+ Credite pe termen scurt (sub un an)	11	+2.162.961	-2.150.320	+3.462.543	+6.250.620
+ Credite pe termen mediu si lung	12	-242.658	+3.856.102	+4.414.768	+14.403.700
+= Flux de numerar din activitatea de financiara	13	+ 1.920.303	+1.705.782	+7.877.311	+20.654.320
- Variatia altor elemente de activ (-/+)	14	-12.929	500.646	+478.299	+530.125
+ Variatia altor elemente de pasiv (-/+)	15	-90.711	-305.269	+1.602.764	-2.899.331
+= Flux de numerar din alte activitati	16	-77.782	805.915	+1.124.465	+2.369.206
+ Disponibilitati banesti la inceputul perioadei	17	812.944	3.007.788	2.354.993	10.349.946
+= Flux de numerar net	18	+2.194.844	-652.795	+7.994.953	-489.761
+ Disponibilitati banesti la sfarsitul perioadei	19	3.007.788	2.354.993	10.349.946	9.860.185



STATEMENT OF CHANGES IN EQUITY until 31.12.2018

Denumirea elementului		Sold la Inceputul exercitiului financiar	la Cresteri	Reduceri	Sold la sfarsitul exercitiului financiar
Capital subscris		3.044.426	2.131.098		5.175.524
Patrimoniul regiei					
Prime de capital		680.247	1.914.642		2.594.889
Rezerve din reevaluare					
Rezerve legale		164.559	46.134		210.693
Rezultat reportat reprezentand profitul sau pierderea neacoperita	Sold C	896.861	1.494.880	1.146.408	1.245.333
	Sold D				
Profitul sau pierderea exercitiului financiar	Sold C	1.590.291	3.676.077	1.590.291	3.676.077
	Sold D				
Repartizarea profitului	Sold C				
	Sold D	95.411	46.135	95.411	46.135
Total capitaluri proprii		6.280.973	9.216.696	2.641.288	12.856.381



VI. Auditors report

BITTNET SYSTEMS - RAPORTUL AUDITORULUI INDEPENDENT

Adresat Acționarilor Societății BITTNET SYSTEMS S.A. București

Raport asupra Auditului Situațiilor Financiare

Opinie

- Am auditat situațiile financiare ale societății BITTNET SYSTEMS S.A. care cuprind bilanțul la data de 31 decembrie 2018 și contul de profit și pierdere, situația modificărilor capitalurilor proprii și situația fluxurilor de trezorerie pentru exercițiul financiar încheiat la această dată, și notele la situațiile financiare, inclusiv un sumar al politicilor contabile semnificative. Situațiile financiare menționate mai sus se referă la:
 - Total capitaluri proprii 12.856.381 lei
 - Cifra de afaceri 19.887.510 lei
 - Profitul net al exercițiului financiar: 3.676.077 lei
- În opinia noastră, situațiile financiare anexate ale Societății sunt întocmite, sub toate aspectele semnificative și prezintă poziția financiară a Societății la 31 decembrie 2018, 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 pentru aprobarea Reglementarilor Contabile privind situațiile financiare anuale individuale și consolidate cu modificările ulterioare și Ordinul MFP 10/2019 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

- 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

- Conducerea este responsabilă de întocmirea și prezentarea fidelă a situațiilor financiare în conformitate cu OMF 1802/2014 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.



6. 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.
7. Persoanele însărcinate cu guvernarea au responsabilitatea pentru supravegherea procesului de raportare financiară al Societății.

Responsabilitățile Auditorului pentru Auditul Situațiilor Financiare

8. 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 îndoieli 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 guvernarea, 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

9. Administratorii sunt responsabili pentru întocmirea și prezentarea raportului administratorilor în conformitate cu cerințele OMF 1802/2014, 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.
10. 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 2018, nu am identificat informații incluse în raportul administratorilor care să fie eronate semnificativ.

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, 18 martie 2019



Dendrio - RAPORTUL AUDITORULUI INDEPENDENT

Adresat Asociatilor Societății DENDRIO SOLUTIONS SRL Bucuresti

Raport asupra Auditului Situațiilor Financiare

Opinie

1. Am auditat situațiile financiare ale societății DENDRIO SOLUTIONS S.R.L. care cuprind bilanțul la data de 31 decembrie 2018 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: 1.204.904 lei
- Cifra de afaceri 27.750.128 lei
- Profitul net al exercițiului financiar: 1.131.647lei

2. În opinia noastră, situațiile financiare anexate ale Societatii sunt întocmite, sub toate aspectele semnificative si prezintă poziția financiară a Societății la 31 decembrie 2018, 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 pentru aprobarea Reglementarilor Contabile privind situatiile financiare anuale individuale si consolidate cu modificările ulterioare si Ordinul MFP 10/2019 privind principalele aspecte legate de întocmirea si depunerea situatiilor financiare anuale la unitatilor teritoriale ale M.F.P.

Opinia noastra 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 1802/2014 și pentru acel control intern pe care conducerea îl consideră
5. necesar pentru a permite întocmirea de situații financiare care sunt lipsite de denaturări semnificative, cauzate fie de fraudă, fie de eroare.
6. 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.

7. Persoanele însărcinate cu guvernanta au responsabilitatea pentru supravegherea procesului de raportare financiară al Societății.

Responsabilitățile Auditorului pentru Auditul Situațiilor Financiare

8. 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 cumulat, 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 îndoieli 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 guvernanta, 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

9. Administratorii sunt responsabili pentru întocmirea și prezentarea raportului administratorilor în conformitate cu cerințele OMF 1802/2014, 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.

10. În legătură cu auditul nostru privind situațiile financiare, noi am citit raportul administratorilor anexat situațiilor financiare și raportăm că:

- în raportul administratorilor nu am identificat informații care să nu fie consecvente, în toate aspectele semnificative, cu informațiile prezentate în situațiile financiare;
- raportul administratorilor include, în toate aspectele semnificative, informațiile cerute de OMF 1802, punctele 489-492;
- 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 2018, nu am identificat informații incluse în raportul administratorilor care să fie eronate semnificativ.

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, 20 martie 2019



Eliau - RAPORTUL AUDITORULUI INDEPENDENT

Adresat Asociatilor Societății ELIAN SOLUTIONS S.R.L. Bucuresti

Raport asupra Auditului Situațiilor Financiare

Opinie

1. Am auditat situațiile financiare ale societății ELIAN SOLUTIONS S.R.L. care cuprind bilanțul la data de 31 decembrie 2018 și contul de profit și pierdere, situația modificărilor capitalurilor proprii și situația fluxurilor de trezorerie pentru exercițiul financiar încheiat la această dată, și notele la situațiile financiare, inclusiv un sumar al politicilor contabile semnificative. Situațiile financiare menționate mai sus se referă la:

- Total capitaluri proprii: 412.042 lei
- Cifra de afaceri 3.983.252 lei
- Profitul net al exercițiului financiar: 201.802 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 2018, 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 pentru aprobarea Reglementărilor Contabile privind situațiile financiare anuale individuale și consolidate cu modificările ulterioare și Ordinul MFP 10/2019 privind principalele aspecte legate de întocmirea și depunerea situațiilor financiare anuale la unitățile teritoriale ale M.F.P.

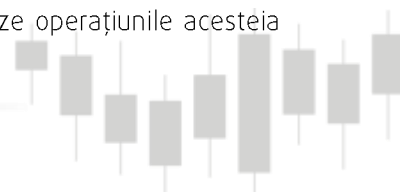
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 - f) pe baza cunoștințelor și înțelegerii noastre cu privire la Societate și la mediul acesteia, dobândite în cursul auditului situațiilor financiare pentru exercițiul financiar încheiat la data de 31 decembrie 2018, nu am identificat informații incluse în raportul administratorilor care să fie eronate semnificativ.

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, 20 martie 2019



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 Reports and on the website) and applied to 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 Reports and on the website) and applied to 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	Not applied - The Company is managed by a single administrator.

	meetings of the Board.	
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 contain at least the following:	<p>The company has overpassed the mandatory maintenance period with an Authorized Consultant. During the duration of the contract, the provisions of this chapter have been met.</p> <p>This chapter is currently not applicable to the company.</p>
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 inform the Authorised Consultant with all reports and any information that reasonably require to fulfill his responsibilities;	
A.5.4.	The obligation to inform Bucharest Stock Exchange regarding any dysfunctions 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.	Starting with the fiscal year 2018, the company will inform the shareholders about the transactions with dendrio solutions SRL, since 2019, the company will also inform the shareholders about the transactions with Elian Solutions SRL.
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 run by a single administrator, not a board of directors. During 2018, the Administrator was remunerated under the mandate contract approved in the General Shareholders' Meeting - the value of a gross average salary in the economy.</p> <p>During 2019 this value will be adjusted according to the law.</p> <p>During 2018, the administrator exercised the option to purchase shares at a preferential price, according to the mandate contract approved by the OGAS in April 2016. During 2019, the administrator will receive a number of 827,103 shares, within the increase operation capital decided and announced in February 2019.</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 communication, both through the reports and on the website, is 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 is published on the website. The company won the prize for the best department of Investor Relations at the CEE Capital Markets Awards in September 2018 in Warsaw.



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 the company declares to follow. The dividend policy principles should be published on the corporate website.	Information are published on the website and in the Annual Report
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 company has a policy on forecasts published on the site.</p> <p>The company will provide annual earnings forecasts, as well as operational, gross and net profit, with the annual report.</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>During fiscal years 2016, 2017 and 2018, the Company organized a yearly meeting with analysts / investors, in partnership with BVB. The video recording from the meeting can be found on the website.</p> <p>In 2019, the Company will organise "Investors Day" at the new headquarter on April 17th, 2019.</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

