

Semiannual report - 1st Half of 2020

Semiannual report according to ASF Regulation nr. 5/2018 on the issuers of financial instruments and market operations

For the financial exercise	01.01.2020 - 30.06.2020
Report date	28th of August 2020
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Sole Registration Code	21181848
Trade Register Number	J40/3752/2007
Market on which the issued securities are traded	Main Market of the Bucharest Stock Exchange
Subscribed and paid up share capital	21 633 474* RON
Main characteristics of the securities issued by the company	216 324 740 shares with nominal value of 0,1 lei – BNET symbol 45 000 bonds with nominal value of 100 lei – BNET22 symbol 47 000 bonds with nominal value of 100 lei – BNET23 symbol 97 037 bonds with nominal value of 100 lei – BNET23A symbol 100 000 o bonds with nominal value of 100 lei – BNET23C symbol

*At the date of writing this report, the Issuer is in the process of registering the new share capital resulting from the increase operation related to the implementation of the incentive plan with options for key persons - SOP2018. Moreover, after the ratification by the GMS of the additional procedure by which the share capital was increased with the shares resulting from EGMS Decision no. 3 of 29.04.2020, the Issuer will address the Financial Supervisory Authority for the registration of the new number of shares allocating, through the Central Depository, the shares in the accounts of the shareholders or of the Company according to the shareholders' option.

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Message from the CEO

This is the very first periodical report that Bittnet Group published since the transfer to the Main Market of the Bucharest Stock Exchange – a process very much awaited by many of our investors. June 3rd, the first day of trading on the main floor of BVB started, thus marking the beginning of a new stage of development for Bittnet Group.

In the first month of trading, we noted a doubling of the daily liquidity compared to the AeRO market, and the entrance of 3 open-end investment funds in our shareholding, together with 3 other investment companies. The total number of shareholders in our company exceeds 2,100 at the time of writing this report, an important milestone for us that comes as a confirmation of the confidence of our shareholders in the development plans that we have undertaken.

Despite the volatilities on the international and local markets in the first half of 2020, our evolution on the capital market brought to the shareholders a gain of 17% compared to a loss of approximately 10% registered by the BET-TR index. At the same time, the shareholders who participated in the capital increase operation carried out between March and April 2020 registered a yield of almost 52% by the end of the first semester of the current year.

Of course, this increase in liquidity would not have been possible without the shareholders who believed in the Bittnet project since our debut on the AeRO market; they thus marked significant profits with the transfer to the Main Market. We want to thank you all for their trust so far and for the increase in liquidity offered in the market, which we believe, brings us even closer to be included in important indices of the Romanian capital market.

The capital increase carried out between March and April ended with a 100% subscription rate, which we consider to be a great success in the context of the first half of 2020 being marked by multiple significant events both globally and locally, caused by the COVID-19 pandemic.

Various market studies conducted in recent months on the impact of COVID-19 on the business environment in Romania highlighted that more than 50% of local companies are either severely impacted, with entire sectors partially or even completely interrupting economic activity or, are foreseeing declines in revenues in 2020 with percentage values between 10 and 20% compared to 2019. At the same time, over 1 million people have lost their jobs, especially in the sectors affected the most by the measures imposed by governments to reduce the spread of the virus.

For us as an issuer, this was a period full of intensified efforts and adaptation to the new reality of work, aspects that we bring to your attention further in this report. We migrated most of the activities in the online space (live virtual) at the beginning of March, continuing to deliver the training classes to clients from Romania as well as to the international market. At the same time, the activities in the Technology Division that could not be delivered through digital channels were delivered respecting all the protection measures recommended by the authorities. Thus, we kept all our promises to customers and there were no delays in delivery, but perhaps most importantly, we managed to protect the health of our team members. I want to thank in this way all the colleagues for their efforts and mobilization they showed, without which we would not be able to present today to you these performances of the group.

In this extraordinary business context from the first half of 2020, Bittnet Group recorded a turnover of RON 55.1 mn, up 39% compared to H1 2019, and an operating profit of RON 2.38 mn, up with RON 6 mn compared to H1 2019 when we registered an operational loss of RON 3.6 mn.

Both divisions of the Group recorded significant increases in both revenue and operating profitability:

- 17% increase in revenues for the Education Division, exceeding RON 6 mn turnover, which generated an operating profit for the division of RON 1.01 mn compared to a loss of RON 391.000 in H1 2019;
- 42% for the Technology Division, which increased to RON 49 mn lei revenue and generated an operating profit for the division of RON 1.37 mn, compared to a loss of RON 3.3 mn in H1 2019.

We noticed these very good results for the current business circumstances but also by comparison with the income and expenditure budget approved by the shareholders at the beginning of the year. At the same time, these results mark the best H1 so far and confirm our statements in recent years regarding the development potential of the Group.

We believe that in the second half of the year we will record increases in income:

- for the Technology Division due to the fact that companies will continue their path to forced digitalization by adapting to the new context with funding either from their own resources or through accessing government programs dedicated to digitalization.
- for the Education Division, since employees, in order to better respond to the needs of the market, are in a continuous process of professional reconversion. In this sense, the programs and initiatives on our agenda were launched in advance and today we are better positioned to respond to the needs in the area of digital skills development.

We are convinced that these trends will continue in the coming years, at a pace at least as fast as the one so far, as the digital transformation is a continuous process that brings financial and operational benefits after each stage is implemented. Thus, the organizations realize that with each stage of digital maturity comes better financial performance, the possibility to obtain efficiency and operational control, and a higher degree of satisfaction from customers. Therefore, as the financial results improve, we estimate that the interest of our clients will increase, and the adoption of new technologies will become more interesting for them.

The current COVID-19 pandemic has demonstrated how important digital assets have become to our economies and how networks and connectivity, data, artificial intelligence, and basic and advanced digital skills support our economies and societies, enabling work to continue, tracking the spread of the virus and accelerating the search for drugs and vaccines.

According to the DES₁ index carried out by the EU since 2014 and which measures the degree of digitalization of European companies and economies, Romania ranks 26th out of all 28 member countries, which means that we have a long way to fill in the gaps. This is the reason why, we have publicly stated on several occasions that "digital infrastructure" should become a national priority for any Government to support economic recovery and to transform Romania into a European economic power.

Starting from these gaps, we begun, at the level of the Bittnet Group, a series of initiatives that aim at both the dimension of human capital and integration of digital technology by companies. Thus, we have committed that in the next 5 years to contribute to the professional reconversion of at least 25,000 people together with other initiatives that we invite you to discover in the following pages.

As our "veteran" shareholders already know, the second half of the year for Bittnet is usually significantly better than the first. Historically, given the seasonality of budgets and spending patterns in the IT&C sector in Romania and globally, the most significant results of Bittnet have always been recorded in the last months of the year.

Thus, if the fiscal year 2020 will be similar in periodicity with the other 13 fiscal years so far, in H2 2020 we should register approximately 60% of the turnover of the year 2020, which means an increase of 50% compared to what we registered in H1 2020.

These estimates allow us to remain very confident in meeting the annual budget voted by the shareholders at the General Meeting from April.

There are two major topics we want to address in this letter – potential acquisitions (M&A projects) and capital market operations. 2019 was a year of integration and consolidation, and from our point of view, this process was successfully completed. In 2020 we started to pay more attention to customer and supplier relationships, but also to internal processes and the offer of products and consumption models.

At the same time, given the promise of growth for 2020, our attention is focused on M&A projects and processes. We are open and actively looking for opportunities in this regard, in order to build a complex and complete platform of IT services for clients in Romania but also in Central and Eastern Europe. We hope that by the end of 2020 we can announce first successful projects.

Similar to previous years, the activity on the capital market is expected to be just as intense in the second half of this year. Following the transfer to the Main Market, we want to continue to be one of the issuers with the most active use of financing mechanisms offered by the capital market, an aspect for which we have been awarded in the past at various events organized by BVB and other institutions.

In this regard, in July 2020, ASF approved Bittnet's Universal Registration Document, the first of its kind issued on the local capital market. The purpose of that document is to expedite the approval process for future capital market

¹ read more in Chapter 3.3 - Trends Affecting Basic Activity

operations. As we have already announced in the media, we aim for a new capital increase operation and an offer of preferential shares.

We are constantly exploring new opportunities to attract capital for development. We are proud that although we listed 5,5 years ago, we are still a "company with growth potential". Thus, in the over 5 years of the public company, we attracted almost RON 50 mn both debt and equity. This allowed us to grow by an average of 70% - from RON 8 mn in revenue in 2014 to RON 100 mn in 2019, a figure we aim to surpass in 2020.

In 2018, in order to carry out the expansion process through M&A transactions, we "extended" the borrowed capital pillar, and thus we received questions from investors regarding the degree of indebtedness of Bittnet. During 2019, 2020, and for the future, we decided to strengthen our financial position to address these potential concerns. In this sense, we have set out, and for the most part, already achieved, to continue to strengthen the Group's financial position, so as to increase our probability not only to survive but to prosper in a period of uncertainty, that is foreshadowed. Until the date of publishing this report we successfully achieved:

- full capitalization of profits from previous years and share premiums, by granting free shares in the proportion of 7:10 - a process completed on July 21, 2020;
- attracting the amount of RON 9 mn as equity, through a capital increase carried out at the peak of the uncertainty period generated by the quarantine period due to the COVID-19 pandemic;
- the decrease of the value drawn from the credit lines by RON 2 mn;
- obtaining the approval from the shareholders for this year of a capital increase with new contributions, with a number of 18 million shares and a return for investors equal to 20%;
- the completion in August 2020 of SOP2018 which generated a new capital increase, of over RON 14 mn lei, out of which RON 2.47 mn subscribed capital and RON 11.75 mn share premium.
- holding, at the date of this report, of cash available in our accounts similar to the full value of the bond issues. In other words, at this point, the long-term net debt position is approximately 0 (zero degree of indebtedness).

We also explore the opportunity to issue a public offer of preferential shares towards the end of the year - we consider that through this new instrument we can strengthen the company's financial position, by reducing the accounting gaps between operational and gross profitability, thus more accurately reflecting the value created by the company. In addition, the issuance of preference shares would help to improve the net return on investment for investors, as taxation is favorable to dividends versus bond interest. At the same time, it would be an attractive alternative for investors looking for passive income and the potential to increase the value of the investment. For more details on our preferential action plans, please read the presentation in the "**Operational and financial result and gross profit**" chapter.

A particularly important aspect that we want to mention is that with the transfer to the Main Market, new corporate and qualitative governance criteria are applied to us with regard to investor relations. Therefore, since the transfer, we are working to upgrade our investor relations website, which we invite you to visit regularly, at <https://investors.bittnet.ro>.

Furthermore, taking into account the principles of the European Shareholder Rights Directive and our principles of transparency and openness to shareholders, we would like as many of you as possible to attend the general meetings and express your views on events in the life of the company, about the directions approached and the projects started.

In this sense, in 2020 we have started several initiatives to allow shareholders to participate online in General Meetings and we intend to propose to shareholders at the next General Meeting to ratify as a permanent method electronic voting through online platforms. In April 2020, we were the only company from BVB to hold the General Meeting entirely online, with two-way communication from shareholders, and with the possibility to register the votes online. Following the positive feedback received from investors, as well as the significant quorum at the Meeting from April, we believe that this action will greatly benefit investors.

In conclusion, we invite you to subscribe to the newsletter dedicated to investors, accessing the address <https://investors.bittnet.ro/ro/abonare-newsletter/> and consult the half-year results presented in the following pages. As always, we encourage you to send us your feedback about this report, the company's evolution, or future plans. In accordance with our policy of openness and dialogue with shareholders, the opinion of our investors is always welcome. So, we look forward to receiving your email at investors@bittnet.ro.

General information about the Issuer

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 of 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. Therefore, 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:

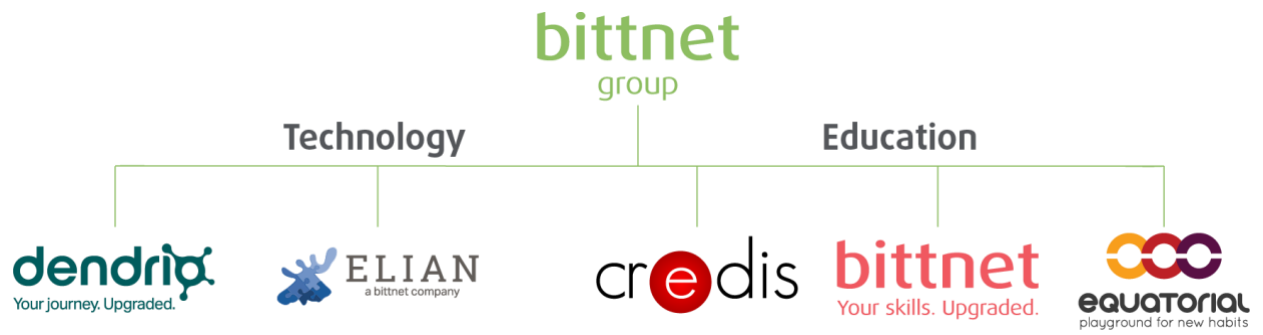
- Education, which currently consists of IT training segment where Bittnet Training is a market leader.
- Technology, which is focused on IT integration services, offering integration solutions that were previously offered by both, Bittnet and GECAD NET. This activity has a shared products, services 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 over 120 employees and collaborators, who work in and for one of the 4 companies included in the group.

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 Berceanu, Vice-President for Education at Bittnet Group

I. Bittnet Training

- 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 Berceanu, CEO
- Number of employees/collaborators: 20
- H1 2020 revenues: RON 6.11 mn, 17% growth compared to H1 2019
- H1 2020 operating profit: RON 1.01 mn, an increase by RON 1.4 mn compared to H1 2019
- Website: www.bittnet.ro and <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.

Bittnet Training in H1 2020

Bittnet Training continued its ascending trajectory even though, as expected, the pandemic crisis affected the appetite for training classes. During this period, we managed to initiate some future projects that will contribute to the support of the accelerated growth that we proposed from now on.

At the level of classes in the public and private schedule, the classes took place according to the program. In the first semester of 2020 we delivered 182 classes (+10%) compared to the 168 classes in 2019, for 2211 students, +20% compared to the 1847 in 2019. This shows us that our efforts to optimize the delivery of trainings through increasing the average number of students/days brought results. In order to ensure the quality delivery, but also the safety of all participants, we took a series of measures:

- All classes have been moved to Live Virtual format since March;
- Instructors pay more attention and more time to the practical part and questions;
- We use Cisco WebEx Training, Microsoft Teams, and Zoom Webinars licenses to accommodate all delivery organization's requirements;
- We follow carefully the quality indices and the feedback received during the course.

Following the success of recent years in delivering DevOps courses, Bittnet Training has invested heavily in shaping and launching the **global DevOps Artisan project**. DevOps Artisan is a concept created entirely by the Bittnet team, with its own proprietary technology and which includes beginner and advanced technical courses in the DevOps area. In just 3 months, through the sustained efforts of the marketing, product management and sales teams, the project was launched globally in June 2020 and uses marketing automation mechanisms for lead generation and conversion. Therefore:

- DevOps Artisan has its own website built by the marketing team: www.devopsartisan.com;

- We have promoted globally a series of webinars in the category "Get to know us" and "How these technologies help you" which have been a real success. Each of the webinars carried out so far has gathered over 250 participants from countries such as the United Arab Emirates, the Netherlands, Germany, France, Poland, Sweden, Denmark, Belgium, Lithuania, Norway, Romania and Portugal;
- We have built a coherent and valuable certification system that will be launched in partnership with a global provider, with prestige in creating and delivering certification exams in IT;
- The sales teams have a global focus and target starting with July 2020 in addition to the existing clients in the portfolio and foreign markets;
- Together with the LLPA (Leading Learning Partners Association), we are building a mechanism for distributing our courses and exams in each of the partner countries. The LLPA has 33 members in 33 countries in Europe, Asia, America and Australia and a reach of over 2 billion people. Bittnet is the representative of LLPA in Romania;
- We have initiated talks with companies from Oman, the United Arab Emirates and Russia to represent us in these countries. Inspired by the pros and cons of a partnership with major technology vendors, we are building a reselling mechanism that meets both our expectations and the ones of our future partners.

Another project born this semester is "CTRL + N - A new, better future!", a pillar project in professional reconversion in Romania. If locally more than 1 million people became unemployed as a result of the pandemic, globally we are talking about 250 million people who will find themselves in this situation. The project supports professional reconversion in 8 major areas: software development, hardware, security, cloud, data analysis, digital transformation, project & product management, digital design. Within these areas of specialization, the Bittnet team has outlined 28 job roles that are in the focus of the market in the coming years. The project comes in response to 2 problems:

1. Accelerated dynamics of the job market, digitalization and industrialization 4.0: thus, according to international studies, in 5 years, 40% of the existing profiles in the market will require IT skills. Most of the roles that require such skills are in companies that operate in non-IT fields (manufacturing, retail, finance, HoReCa, health & insurance) making accessible to a future employee without experience in the field, professional reconversion.
2. The pandemic forced companies to make an accelerated leap toward digitalization, reducing the estimated 5-year duration to 1-2 years above. At the same time, it put pressure on businesses, leading to unemployment in the case of over 1 million Romanians who are currently looking for a secure job and who meet the future demands of the job market.

In May, we delivered with the whole team the "Demo the Live" project, 2 days of webinars focused on showing what a Live Virtual course at Bittnet is like. During the event we delivered 7 webinars, on technologies such as DevOps, AWS, Cisco, Microsoft or ITIL, each collecting over 200 entries.

Based on this test and the feedback received from our customers, we started building the Bittnet platform for registered content. The platform will include on-demand / self-paced courses and will complete the portfolio of education services that Bittnet provides. The platform integrates with UXI, the LMS platform that after an intense testing phase will be offered free of charge to Bittnet customers starting with the 4th quarter, realizing the management of the education process, learning paths and professional history of a participant available integrated and accessible in a few clicks.

In June 2020, through the sustained action of the 33 members, LLPA won the "Microsoft Learning Partner of the Year" award, a prestigious award, as a result of more than 100,000 students trained in Microsoft's fiscal year 2019 (July 2019 - June 2020). Within the relationship with Microsoft and the joint sustained efforts of market education, only in Romania, in 2020 YTD, Bittnet trained over 580 students in cloud skills.

II. EQUATORIAL Gaming SA

- Shareholding structure: 44.9989% Bittnet SA (44.9989% at the date of publication of the report, 24.99% at 30.06.2020) the rest - the founders
- Responsible: Diana Rosetka, Managing Partner
- Number of employees/collaborators: 15
- H1 2020 revenues: RON 504k, a 66% decrease compared to H1 2019
- H1 2020 operating profit: RON –695k compared to RON -200k in H1 2020
- Website: www.equatorial.ro, www.vrunners.com www.equatorialmarathon.ro

Equatorial, a game-based learning company, specializes in providing transformative training and consulting programs at individual, team and organizational levels in Romania and abroad. Since 2015, the company has invented, developed and launched on the Romanian market Alternate Reality Game for corporations, such as VRRunners, Bona Fides Agency, White Hat and Oligopoly. These games aim to support the educational process, to increase the degree of involvement and to stimulate the behavioral changes of the employees. The games are available 24/7, on multiple devices and are used for learning projects, conferences, teambuilding events and Master's academic programs.

EQUATORIAL Gaming in H1 2020

The Equatorial activity focused on 3 types of implementations: classroom courses, until March and the beginning of the state of emergency, virtual live courses and gamified projects, using its own game-based learning platform, VRRunners.

Even if the company's activity was seriously affected by the freezing of soft-skills trainings due to the pandemic, we managed to enroll in the first part of the year a total of 500 students, namely: (traditional) classes a number of 46 days training virtual live courses (digital learning) 35 online, half-day sessions; VRRunners (digital learning) 2 projects with gamification:

- Leadership skills development project dedicated to a group of middle managers in which we alternated two digital learning methods: live learning in the virtual classroom, with learning through play (on the VRRunners platform).
- Development project for collaboration and team communication dedicated to software developers, in which we used exclusively learning through play. The success of the project led to the extension of the discussion to a possible similar implementation at the client's headquarters in Germany.

A significant effort and an important success, at the same time, was the transfer to online, in a short time, of the training programs carried out until March 2020 in the classroom. We have transposed and adapted to the specifics of virtual learning 7 topics already existing in the standard Equatorial curriculum and we have created new content for virtual live classes on 8 more topics of great interest in the context of the crisis generated by the COVID-19 pandemic and moving to work from home model. This effort went hand in hand with the development of Equatorial trainers' expertise to implement digital content in the two currently available online training platforms, Webex Training Center and Zoom Webinars.

In order to understand what the market dynamics we serve will look like in the near future, in the first half of 2020 we conducted with Bittnet Training a market study on the impact of COVID-19 on learning and development processes in Romanian companies. In addition to the quantitative study, we initiated and conducted a series of 5 virtual meetings with representatives of the L&D function from 30 multinational companies, L&D Cafe, meetings that allowed guests to exchange information and ideas, sharing the challenges they faced and the solutions they found to meet these challenges in a short time.

We continued the strategic line of digital learning through play with the launch of Bona Fides Agency, a game that trains and develops cognitive skills such as critical thinking, problem solving, decision making, logical thinking and creative thinking, essential skills in the context of technological advancement and digital transformation, so unexpectedly accelerated by the pandemic. In the first weeks after its launch, more than 650 players signed up for the application, while the website was visited by over 1800 people, of which 21.79% were from other countries, without the game being actively promoted outside Romania.

We will launch at the beginning of the fourth quarter a LaaS (learning as a service) platform, which will allow our clients to manage both the training acquisition process and the training implementation process. Thus, they will be able to build learning paths for students, to request budgets and/or to access them automatically, to access learning content in different formats, in essence to eliminate all the headache of purchasing, organizing and monitoring a

learning project. The degree of automation will be high, thus allowing us to focus on what is most important - ensuring high quality training and valuable content. This platform will serve the entire Education Division, as it is already proposed for testing to some traditional clients of the Bittnet Group.

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

III. Dendrio Solutions SRL

- Shareholding: 100% Bittnet Systems SA
- Responsible: Cristian Herghelegiu, CEO
- Number of employees/collaborators: 65
- H1 2020 revenues: RON 46,5 mn, 41% growth compared to H1 2018 (in 2018 Dendrio recorded this turnover in the entire fiscal year!)
- H1 2020 operating profit: RON 1,05 mn, an increase of RON 4,35 mn compared to H1 2019
- 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, 2019, Dendrio also includes the IT&C division of the Crescendo International SRL that was acquired by Bittnet Group in Q4 2019.

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.

Dendrio in H1 2020

We mentioned in previous reports that the integration process of the business transferr from Crescendo to Dendrio took place throughout 2019. We also mentioned that this integration process started relatively late – in Q2 2019, a fact visible in the results of the first half of 2019. The first half of 2020 marks on the other hand 6 consolidated months, and the results are gratifying: Dendrio's total revenues increased by 41% compared to the similar period of 2019, reaching RON 46.5 mn. Also, the growth rate of gross margin significantly accelerated, at a rate of 141% compared to the same period of 2019 - even in the conditions of a second quarter under the full impact of the COVID-19 pandemic. We notice the contribution of several factors that led to this good result, such as: the development of projects with a long implementation cycle (which benefit from stable budgets), the increase of over 10% in the number of delivered projects, participation in medium-large sized projects, increasing the margin per project including by maintaining an extremely close relationship with global technology providers.

More than ever, in these first 6 months of 2020, we paid special attention to the level of spending. Thus, we managed to maintain a rate of the direct expenditure of 32%, below the rate of increase in revenue (which led to an increase in gross margin). At the same time, we exercised extremely strict control over indirect expenditures, managing a 10% decrease - a first measure to ensure an increased resilience of the company when facing the uncertainties brought by the health crisis.

Can it be concluded that the technology and the companies that implement it offer a resilient business model in times of pandemics? Our answer is reserved-optimistic: we believe that technology can be an extremely important

tool for successfully overcoming such a global crisis and that is why the demand for this type of service will be constantly growing in the coming years! However, we are aware that, while the implementation of a real process of digital transformation may take a relatively long time (6 months to 1 year for an average company), the negative effects of the pandemic can be felt in a much shorter cycle. Thus, we are convinced that in the medium term Dendrio will also feel the effects of the sanitary and economic crisis, even if in a way - we hope - attenuated.

We believe that 2020 has been and will continue to be an atypical year in many ways. However, we can say that the current health crisis has significantly accelerated - both locally, regionally and globally - the efforts of companies and even public sector organizations to adopt large-scale technology. Technology has become, in many cases, a major factor in resilience and business continuity. In this regard, Dendrio has launched several initiatives that we hope will bring long-term benefits to both our customers and Dendrio team and of course our shareholders:

- Dendrio has consistently promoted, both within its own team and to its customers, agile working principles, which require extensive team autonomy, flexible work schedule and driven toward results. That is why the transition to a remote working model was made extremely quickly, over 80% of Dendrio employees and collaborators operating throughout the crisis in this virtual work regime. We can say with certainty that the main challenge in this process of adopting large-scale digital solutions does not consist, however, in technology but in the impact of change on people - employees, collaborators, partners. In this sense, we can say that the expertise of the Equatorial team in overseeing the change management processes has certainly contributed to the results of Dendrio this semester.
- **#WorkFromHome** - in partnership with Microsoft and Cisco we have offered our customers the ability to use modern collaborative work services, in many cases at no additional cost for the first few months (extended period in some cases up to 6 months). More than 40 nonprofit and educational companies and organizations have turned to these services in the first month since their launch.
- **#BusinessContinuity** - Launching packages of hardware, software and related services dedicated to companies that had to quickly transfer their business to the virtual environment. The packages have been designed with a dedicated focus on data security and business process continuity, being designed to work "plug & play" - with minimal effort of installation and configuration by the buyer. The acquisition process can be carried out entirely online through shop.dendrio.com - small and medium companies being the main beneficiaries.

Even if we observe a general trend of technology adoption, we can say that between March and June 2020, companies resorted to these solutions in an emergency. Definitely will follow:

1. a period of maturation - through which companies that have taken consistent steps towards digital solutions will begin to optimize the solutions initially implemented - scaling, security, reduction of operational costs; and
2. an acceleration among companies that have not yet implemented such solutions and will be overtaken by more agile competitors - either local or even multinational players.

We want to support these companies and that is why Dendrio will launch in S2 2020 the program "Digital Champions of Romania" - a program through which we will provide participating companies with tools to assess the degree of digital maturity, help establish the necessary steps for growing the degree of digital maturity and last but not least the technical resources needed to implement these steps.

IV. Elian Solutions SRL

- Shareholding structure: 51.0082% Bittnet SA, rest split equally between founders
- Responsible: Iulian Motoi, CEO
- Number of employees/collaborators: 15
- H1 2020 revenues: RON 2,6 mn, a 50% growth compared to H1 2019
- H1 2020 operating profit: RON 312k, a RON 340k increase compared to S1 2019
- 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. In 2018, for the first time, Elian begun providing a delivering service abroad, to customers from 5 countries: Bulgaria, Croatia, Germany, Switzerland and the USA

Beside the Business Central 365 solution, 4 applications have been added to the Elian portfolio, which are self-licensed:

- Application of OCR-invoicing with an extremely simple definition of new invoice templates - scanning documents and sending them to NAV;
- Fixed-media inventory application through scanning;
- Applied ClokIn / ClokOut - used by production companies to record the time spent by people in the production hall, on orders and technological flows;
- Retail application, which supports sales in the fast-food area.

All of Elian's new implementations are based on the Microsoft Dynamics 365 Business Central platform, allowing us to be first movers with this new cloud-based technology wave. 5 new colleagues joined the Elian team (3 as a result of the turnover of personnel and 2 as a result of the extension of the support services - those generating recurring revenues).

Companies such as Tanex (major manufacturer of clothing for global brands such as Massimo Dutti), Railing Design (distributor of fastening systems) or Chopstix restaurant chain have become customers of the group due to Elian's products.

Elian in H1 2020

The first semester of 2020 marks the best evolution of the company since its establishment. Elian continued the good pace of the last quarter of 2019 in the first 6 months of 2020, managing in pandemic conditions to complete most of the projects started in the last half of the previous year, but also to sign new contracts. In figures, the evolution looks as follows: an increase in turnover by 50% compared to the same period of 2019 and implicitly crossing the threshold of 100 customers in the portfolio in various areas of activity: financial services, series production and production project (over 50% of Elian's clients are in the production area, delimiting 2 verticals: agricultural production and textile production), distribution in various areas of activity, retail, public services, real estate.

The challenge that the team had was especially in the area of project delivery under COVID-19 conditions. If some of the implementation activities could be moved online such as the analysis / setup / development stages, the Go Live workshops / training / support stages were carried out at the client location, putting pressure on the project managers for the organization and development of these activities in safe conditions. For the second half of 2020, we plan to carry out the activities in the same form: the activities that can be carried out online without compromising the quality will be carried out in this form, but the others that involve workshop / training / support with the solution user will take place at the client's location.

The 50% increase in turnover was supported mainly by signing new contracts. Among the clients that gave us confidence during this period are the CITR group in the financial services area, RDF Group consolidating the Elian vertical for agricultural production, Electroplast on the series production area, Supercom with activity in the public services area, Chopstix operational on vertical retail, RC EUROPE on the real estate services solution, Every Matrix on the consolidated reporting solution in PowerBI, Ovidanmarc with the operational and retail activity.

The first 6 months of 2020 also marked the completion of the Elian project to locate the Dynamics 365 BC solution. If the localization of this solution in the C / AL programming environment was ready in 2019 and has been functional

since September last year, being already implemented on the production bases of the clients, May marked the completion of the localization for the Dynamics 365 BC solution in the AL programming environment, which is 100% cloud based. Completion of this product will allow customers in the portfolio and not only, to step to the Dynamics 365 BC service in Azure. As not only the location is a challenge in this area, but also the training of the entire team of consultants and programmers on a technically reconfigured solution, in February and March through a partnership with QBS and 1ClickFactory, Elian organized 2 onsite training courses which could be accessed by other Microsoft partners.

In the area of immediate internal projects, Elian aims to strengthen the implementation and programming teams by bringing 2 new consultants and 2 new programmers, but also the development of a new department for implementing the PowerBI solution. The first half of the year was marked by a sharp increase in consolidated reporting requirements for BI solutions, which were covered with resources from the Bittnet-Dendrio group. Although the current health crisis does not give us the possibility of clear business forecasts, the consolidation of implementation and programming teams means financial confidence in ongoing projects, to which is added Elian's strategy to deliver them in the short term, to be able to target new projects.

Share price

The dynamics of the BNET share price was, in the first half of 2020, in line with the evolution of the Romanian capital market and connected to the international events that marked the beginning of the year.

As in all the previously analyzed periods, however, the investment in BNET shares brought the shareholders yields much higher than the market average. In the first 6 months of 2020, the investors who were with us at the beginning of the year registered a yield of approximately 17% (i.e. 35% annualized), with almost 30 percentage points better than the market average (expressed by the BET-TR index).

This return does not take into account the capital increase operation carried out in March 2020, which brought investors a return of 52% as measured on June 30, 2020.

But what we think is much more relevant, in line with our long-term philosophy, is to replicate the returns that investors who have been with the company for a long time have had so far:

Date of investment	Adjusted price/share	Return on June 30th 2020	How much is worth on June 30th 1000 EUR invested on
10 Apr 2020	0.4458	51.7%	€ 1,517.50
1 Jan 2020	0.5763	17.4%	€ 1,173.87
1 Jan 2019	0.2947	129.6%	€ 2,295.55
1 Jan 2018	0.1926	251.2%	€ 3,512.46
1 Jan 2017	0.1264	435.2%	€ 5,352.06
1 Jan 2016	0.0453	1393.4%	€ 14,933.77

BNET share price evolution (June 30 2020)



*the evolution of BNET vs BET-TR, the period January 1, 2020 - June 30, 2020; graphic source: BVB.ro

From the point of view of the liquidity of Bittnet shares, in the first half of 2020 a total number of 23,985,975 shares were traded, with a total value of RON 23.16 mn. The number of transactions was 10,463. For comparison, after the transfer to the Main Market, the liquidity approximately doubled, reaching a monthly liquidity of 3,637 transactions, with a total value of RON 7.7 mn. On one hand, this observation strengthens the motivation for which we proposed

to the shareholders the transfer to BVB's Main Market, and on the other hand, it confirms our hopes for inclusion in one of the key indices of the Romanian capital market.

About Bonds

Another reason why we consider the Romanian capital market to be relevant is that companies, especially those with accelerated growth, can benefit from 'patient' borrowed capital through the issuance of long-term debt obligations (3 to 5 years) as opposed to the bank lending structures which generally have maturities (repayments) at 1-2 years. At present, Bittnet is the issuer of 4 corporate bond issues, all listed on the BVB ATS-Bonds market: BNET22, BNET23, BNET23A, BNET23C. At the time of writing this report, the Issuer is up to date paying interest to the bondholders.

About BNET22

The BNET22 bond issue is traded on the BVB AeRO-ATS bond market starting with November 28, 2017. In the first 6 months of 2020, 216 transactions were registered in the amount of RON 690,549.20 at an average daily price of 99.40 lei / bond, i.e. below the nominal value of the instrument of 100 lei (the quotation decreased in the spring, in line with financial markets and due to the lockdown caused by the start of the pandemic in Europe, returning after the state of emergency to trading above nominal value). Trading below nominal value required a higher return on fixed interest rates for buyers. The number of BNET22 bonds that changed holders in the first half of 2020 was 6868 instruments, representing 15.26% of the total issue.

About BNET23

In H1 2020, a number of 302 orders were made for BNET23 bonds, which totaled a volume of 6772 BNET23 bonds, at an average price of 99.84% of the nominal value, which raised the total value traded to RON 675,951.30. Most of the amounts attracted by the BNET23 issue financed, in H2 2018, the acquisition of the 51% stake in Elian Solutions and 25% in Equatorial Gaming, and the rest was used as working capital. BNET23 bonds have been trading since 28.11.2018, have a nominal value of 100 lei, a maturity of 5 years and an annual interest rate of 9%, payable quarterly through the Central Depository.

About BNET23A and BNET23C

BNET23C bonds are still very liquid. During the first half of 2020, 24.934 BNET23C bonds were traded, in a number of 664 transactions that exceeded RON 2.4 mn. The traded volume represents over 24.93% of the entire issue, which makes BNET23C bonds some of the most traded fixed income instruments on the AeRO-Bonds market.

BNET23A bonds registered, in the first half of the year, transactions amounting to RON 382,409.29 representing 3.8% of the issue.

Between December 2018 - January 2019 and in the context of the most recent M&A project, namely the transfer of IT&C activity from Crescendo International, Bittnet realized the largest bond issue in its history BNET23A (9.7 million lei) and BNET23C (10 million lei). The brokers of the transaction and the mechanisms used to sell the bonds were different for the two operations (the BNET23A issue was 'placed' on the market by the investment banking division of a commercial bank, while the BNET23C was sold through an intermediary syndicate formed by SSIF Tradeville and SSIF Goldring).

Both issues are due to maturity in 2023 (January and December) and the coupons are calculated according to the registers received from the Central Depository, the interest rate is 9% per year, payable half-yearly, and the nominal value for both issues is 100 lei / instrument.

We consider Bittnet bonds as very liquid on the secondary market, with transactions in the first 6 months of 2020 exceeding the cumulative value of RON 4.16 mn.

“The Bittnet Way”

We use this premiere of publishing our first half-yearly report after the transfer to the Main Market, to remind our shareholders about the principles according to which we run the company, the vision of management and the company's objectives.

Bittnet activates in the knowledge business. We accumulate this knowledge and transfer it to our clients in two forms: IT training and integration of IT solutions.

We work in an interesting and always moving field - Information Technology. So far, we managed to grow at a considerable pace and to always be well financed in this endeavor. The wave has gained enough momentum. On the other hand, the current size of the company, cumulated with the consolidation trend in all markets, means that the only logical direction is still growth. That is why we intend to continue to invest all available resources in the development of the company, both through organic development, but also through acquisitions and investments.

For shareholders, this translates into a "profit reinvestment" policy, which implies a policy without dividends. Also, in line with Warren Buffet's philosophy, we will continue to maintain this reinvestment policy as long as the growth outlook is higher than the overall market outlook.

In the long run, the value that a company generates is reflected in itself and in the value of the shares. We believe that we can maintain a growth rate above that of the market for a good period. Our current operational and delivery capacity allows us to accelerate profitability growth by increasing revenue - and this is our strategy: to continue to increase revenue under similar "gross margin" conditions which will generate more capital to cover the generally fixed structure of costs, thus significantly contributing to building a larger and more solid company.

Management has own revenues as a result of company's well-being, so we share the same risks as shareholders, and the materialization of these risks would affect us more than other investors. We believe that we have a good opportunity to continue to grow the company and that the expected benefits outweigh the risks.

How do we build value through Stock Option Plans

Starting with 2016, every year, we have implemented incentive plans for key personnel. The first SOP, called SOP2016 was approved in 2016 and was for the first time in the history of the Romanian capital market when a Stock Option Plan of a listed company was made by raising capital and not by buying back shares from the market.

At Bittnet, we consider the mechanism described above important, both in terms of business continuity by rewarding / retaining employees and for the financial benefits of the shareholders in the medium and long term. Therefore, the management would like to explain in detail this mechanism and describe the reasons behind the decision to implement it.

In 2014, when we looked at whether or not to list Bittnet on the stock market, a big plus of the idea was the option to reward our colleagues with a Stock Option Plan, but in a slightly different way than other SOPs we have seen so far in Romania. The American SOP concept and mechanism aligns the interests of people who “work” (allocate time) for the company with the interests of people who “invest” (allocate capital) in the company. Traditionally, in the socialist economic theories recently encountered in both Europe and the United States, “labor” and “capital” are seen as two antagonistic factors of production, in tension, in a zero-sum game. “Capital” is enriched by plundering “labor”, producing and perpetuating inequality. In this view, it is necessary for “labor” to be organized in trade unions and to fight to capture from “capital” the value that “labor” produces.

At Bittnet, perhaps because of our entrepreneurial experience or the fact that we benefited from an angel investor investment relatively early on, we have always considered that anyone who contributes to business success is a partner in our success story and should be rewarded in return for something that is important to him. Often in the case of “work”, the important goal is stability, security and, for this reason, most people are willing to give up wealth. Instead, by definition, for “capital”, the goal is its continuous multiplication, and instead, a degree of uncertainty is accepted.

We believe that only if all the actors involved in our story have common goals and enjoy together the results of the company (in fact, in our case, of the group of companies), only then can we “run” quietly to goals, without the need for a complex control structure. In practice, this can best be understood by the following analogy - there is no sufficiently good and secure rulebook or contract if you want to sign with partners you don’t trust and, on the other hand, you don’t need any rules when you share the same values with your partners, and the end goals are similar. Over the years we have managed to put this concept into practice by applying the “we share what we have” rule, which means that we share our results so that everyone is treated equally and everyone is ready to achieve their goals without putting sacrifices on some to the detriment of others. Thus, if everything works well, everyone benefits equally; if it goes wrong, then no one is at a disadvantage, because everyone has equal access to information and can make informed decisions.

This philosophy is applied from the lowest level, starting from the sales team and the way we reward their successes, to the way we collaborate with key resources, managers, members of the advisory board and our business partners. In this sense, the listing on the stock exchange provided us with an extraordinary mechanism for implementing this philosophy, namely the Stock Option Plan. These plans can, of course, be implemented in unlisted companies, but the lack of liquidity for shares combined with the naturally lower percentages that can be allocated, makes employees or key people in private companies unable to feel the real advantage of such a plan. Instead, in the case of listed companies, the mechanism automatically aligns the interests of the two factors of production. Thus, the key people who deliver the “work” receive the right, but not the obligation, to buy shares of the company at some point in the future, at the current price. In other words, “capital” providers agree to dilute their share of ownership in a much more valuable company in the future, in exchange for the fact that those who “work” participate in risk. On the other hand, those who perform “work” accept the risk of failure (if they receive nothing of value) in exchange for the right to enjoy a smaller share of the higher earnings.

In the case of Bittnet, the shareholders approved each year, i.e. in 2016, 2017, 2018, 2019 and 2020 an incentive plan with options, with individual durations of 2 years, so that there is time for the results of the work to be observed and the capital market to react, thus rewarding those who have directly contributed to the positive evolution of Bittnet both as a business and as a listed company. So far, both SOP2016, SOP2017 and SOP2018 have been successful, with key people producing positive results for the company and shareholders and being rewarded for this.

The settlement of these incentive plans can be done only in two ways: by buying back the company's shares in the capital market to transfer them to the option holders or by increasing the share capital by issuing new shares. The second option obviously dilutes the percentages held by shareholders - those who approve of this operation. On the

other hand, the buying back solution is the one that actually destroys the relevance of the SOP product by effectively decapitalizing the company, because in order to buy shares from the market, the company pays cash which leads to a cash outflow. In addition, at the same time, this option marks a loss on the profit and loss account, as the company buys "expensive" shares in the market, which are currently at the highest price, and sells them "cheaply" at the lowest price from the past.

Instead, the solution voted by the shareholders at each of the general meetings held in 2016, 2017, 2018, 2019 and 2020, was that in which the option holders, the key persons, receive shares directly, as a result of a capital increase at which the others shareholders do not participate. Due to legislative constraints, these capital increases made to complete the Stock Option Plan must be made by issuing shares at the highest price of 3 values, in the case of Bittnet, being made at the average market price of the last 12 months. In this way, all the actors involved win: the initial shareholders by increasing the value of the company, the holders of options because they have a variable bonus that theoretically has an infinite maximum value (so they can profit much more if the company performs), and the company is not decapitalized and not incurs losses through additional costs. In addition, shareholders who do not participate in the increase are not prejudiced since the shares are issued at market price.

In conclusion, incentivizing employees with options is one of the mechanisms that has allowed us over the years not only to have access to special human resources, paid below market average, but also to share the value created by team members for shareholders. Thus, each incentive plan is built according to similar principles:

- The duration of a plan is 2 years;
- Employees are rewarded with 5% of the value brought to shareholders - we measure 5% of the capitalization difference between the final moment of the plan and the initial moment, 2 years before.

Thus, on the one hand, there is enough time for the ideas and deeds of management and employees to produce effects, and the market to evaluate them, and on the other hand there is enough time for management and employees to be evaluated for dedication and results.

The construction of option plans generates the situation in which no matter how hard you worked and how good the ideas seem, if the value of the shareholders' investment did not increase, you are not rewarded with a bonus. Thus, we have a total alignment of objectives between employees and shareholders - the well-being of both categories being measured with the same unit of measurement.

2. Economic and financial position of the group

The issuer provides investors with a consolidated analysis of the Group's assets, capital and liabilities as evidenced by the financial statements of Dendrio Solutions and Bittnet Systems, at the end of the reporting period registered on June 30, 2020.

Analysis of the Balance Sheet

Fixed assets

Compared to H1 2019, the intangible assets increased significantly, however not in the reporting period, but in H2 2019. The elements that contributed to the growth were the registration of the Dendrio goodwill obtained in the transaction with Crescendo (RON 5,45 mn). The decrease registered by the "tangible fixed assets" position is due to depreciation.

	30/Jun/19	30/Jun/20
Goodwill	12,251,643	17,701,643
Other Intangible Fixed Assets	5,759,165	6,079,038
Tangible Fixed Assets	7,712,122	5,994,018
Equity Securities	1,145,726	991,756
Other financial fixed assets	1,057,069	1,107,049
Deferred income tax	711,576	643,354
Total fixed assets	28,637,300	32,516,857

Current assets

The total value of current assets at group level increased in H1 2020 by 45% consolidated, from the value of 44.2 mn to RON 64 mn. This increase is generated by the advance of 40% of the business - visible in customer receivables, and by a significant increase in cash (71% compared to H1 2019), as a result of the capital increase operation from March - April 2020.

Regarding the variation of stocks, they registered a decrease due to the natural flow of the business, which shows a better management of the subject. We continue to aim to minimize these values, because in essence the existence of stocks shows "sales that could have been made faster." We have always been careful not to work with inventory.

	30/Jun/19	30/Jun/20
Inventory	2,655,533	971,621
Receivables	26,367,049	37,017,536
Cash	15,214,300	26,063,622
Total current assets	44,236,882	64,052,779

Total shareholder equity

	30/Jun/19	30/Jun/20
Total shareholder equity	9,778,789	21,514,987
Share capital	7,114,452	22,904,973
Premiums	3,584,392	982,966
Other elements	1,430,829	1,671,049
Legal Reserves	266,124	365,212
Retained Earnings	1,795,005	(4,176,804)
Current Earnings	(4,583,280)	(681,595)
Total equity	9,607,522	21,065,800
Minority Interest	171,267	449,187

As of June 30, 2020, the group's equity registered a significant increase compared to H1 2019 (a positive evolution of 120%), being positively influenced by the following evolutions:

- The increase of the share capital in H2 2019 as a result of the Stock Option Plan and the registration of the increase operation with free shares from July 2019;
- Increase of the share capital in H1 2020 as a result of the successful development of an increase operation with new contributions - and 25% return for investors;
- Improving the current result by almost RON 4 mn.

Group's debt situation

	30/Jun/19	30/Jun/20
Total debt	63,095,394	75,054,649
Total long-term debt	33,085,032	32,755,953
Total short-term debt	30,010,362	42,298,696
Bank loans	8,088,482	6,121,554
Leasing	1,213,425	1,756,865
Income Tax	15,059	251,600
Payables	20,693,396	34,168,678

The long-term debts remained approximately unchanged, being composed mainly of the 4 bond issues (BNET22, BNET23, BNET3A and BNET23C) - totaling almost RON 29 mn. The remaining amounts with long-term debt title come

mainly from the application of IFRS16 - the amount of RON 2.8 mn as of June 30, 2020 (decreasing by RON 1.5 mn compared to H1 2019).

The short-term evolution is given almost entirely by the evolution of commercial debts: increase by RON 10 mn (+48% compared to H1 2019), combined with the registration of the value of RON 3.45 mn as debt to Crescendo shareholders, as a result of the completion of the transaction in December 2018. The increase by RON 10 mn of debts to suppliers is covered in proportion of 105% by an increase of RON 10.6 mn of receivables from customers, according to the cash flow management principles that our group applies. Thus, the coverage of trade debts with receivables is 108%.

The bank loans standing

If bond issues represent long-term borrowed capital, the group's bank lending structure is mainly made up of revolving overdrafts aimed at short-term financing of specific projects. At the date of this report, the group has loans and overdrafts for financing the current activity amounting to RON 12 mn at ProCredit Bank, ING Bank and UniCredit Bank and a non-cash ceiling for issuing letters of bank guarantee of RON 1 mn to Banca Transilvania. The issuer is in constant dialogue with the bank lending partners in order to discover the lending products corresponding to the Group's needs.

In the first half of 2020, the following operations were carried out regarding bank lending:

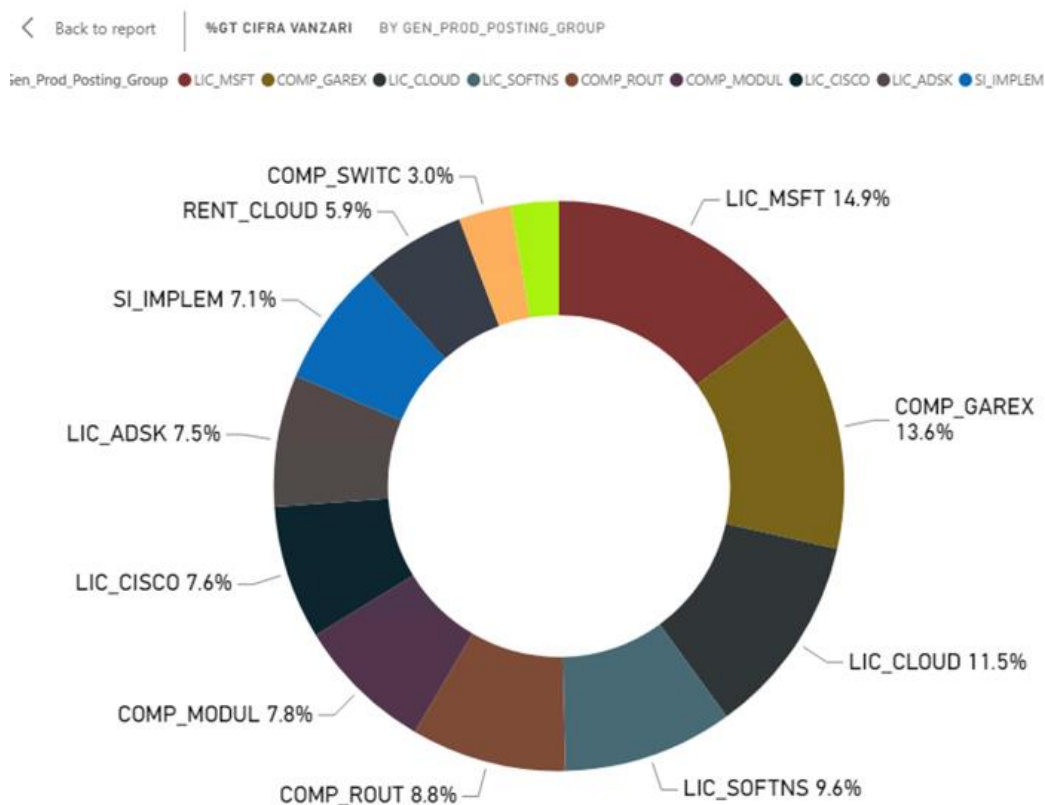
- the extension, in February, of the Bittnet Systems loan amounting to RON 2.79 mn from ProCredit Bank; and
- the transformation from a revolving-overdraft loan into a loan with monthly repayments for a period of 36 months.

Profit and loss account

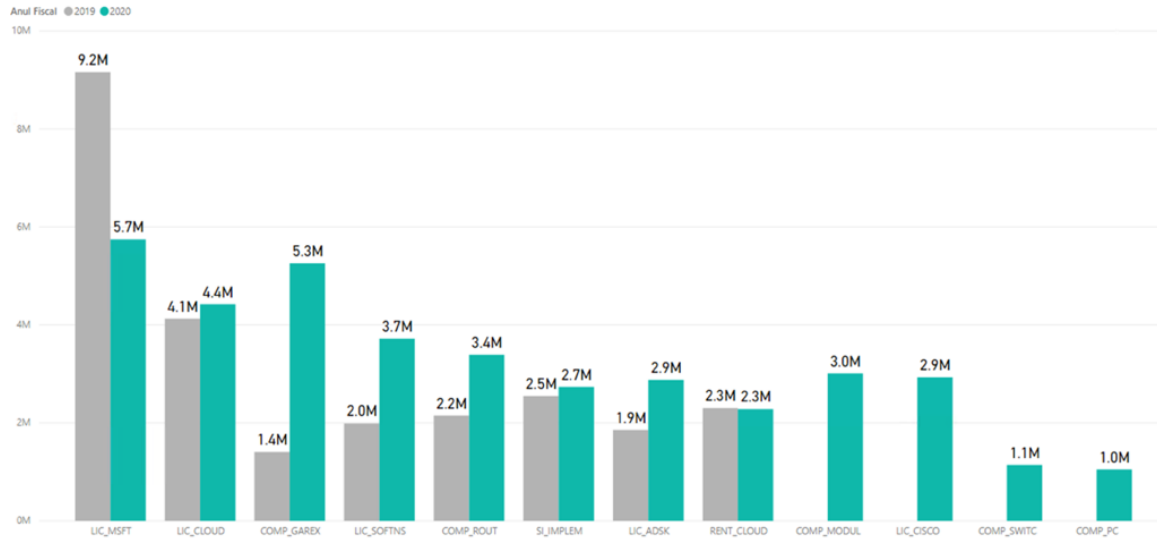
Analysis of sales

Compared to H1 2019, the most important element worth mentioning is the fact that in both divisions, sales were much more 'efficient' - focusing on projects with higher added value (gross margin) - either due to the inclusion of services in the integration projects, either by increasing the number of students in the course groups.

For a better understanding of the sales structure, we further reproduce the results of the first best-selling products for the integration line (values over RON 1 mn).

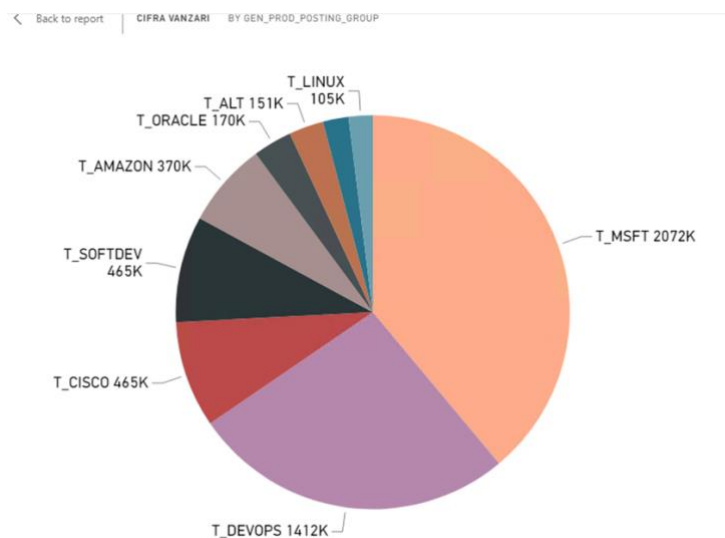


- Still, Microsoft solutions are a good entry point in the customer relationship, so that we can then position other more complex solutions.
- The "Extended Warranties" product type includes maintenance services for network infrastructure solutions, providing customers with hassle-free operation (any defective equipment is taken over by our team, with replacement equipment, and installation and configuration services).
- Cloud and security products are normally in the top of sales, this being the technological trend that we have noticed since 2014.
- Cisco products (such as routers, switches, network components, etc.) together make up a similar proportion to Microsoft products, which is natural given our levels of partnership.

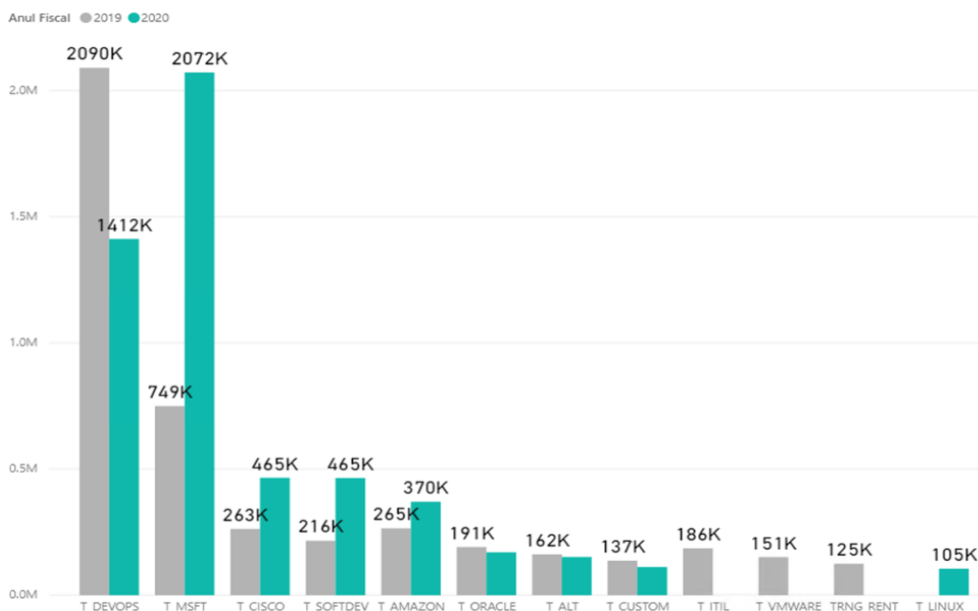


Compared to 2019, the distribution of products with a significant contribution in sales is more balanced.

From the point of view of the Education division, the best-selling products are (sales over 100,000 lei):



- The positive evolution of Microsoft trainings compared to 2019 is significantly influenced by the "Technical Skills for Business (TSfB)" campaign carried out by Microsoft globally, in which the manufacturer (Microsoft) "sponsors" part of the cost of delivered trainings to end customers. Thus, customers were encouraged to buy and Bittnet Training capitalized on the fact that it is the exclusive partner of LLPA in Romania and the only beneficiary of the opportunities offered by this campaign. **It is important to mention that TSfB will continue in the next fiscal year Microsoft, ie July 2020 - June 2021;**
- Naturally, Bittnet's own curriculum (DevOps, Software Development and Custom training) is among the top trainings sold to customers because we paid more attention to its promotion, with a much higher gross margin than vendor trainings;
- Cisco training increased by almost 100% compared to last year, with the launch of the new curriculum in February, and Linux training returned to the top of the best-selling products.



Consolidated P&L

	30/Jun/19	30/Jun/20	Evolutie
Revenues from customers	39,749,621	55,161,001	39%
Services	10,471,233	14,566,697	39%
Resold Goods	29,278,387	40,594,303	39%

Cost of sales	35,899,547	44,249,141	23%
Merchandise	27,648,810	36,484,822	32%
Cloud	1,004,856	2,401,940	139%
Personnel	1,690,946	1,326,831	-22%
Collaborators	1,325,588	1,601,555	21%
Other direct costs	4,229,347	2,433,994	-42%
Gross Margin	3,850,074	10,911,860	183%

As we have repeatedly shown in previous reports and also in the shareholders' manual, the model we follow is one of accelerated growth, because the growth of the business is much more pronounced in increasing the profitability measured by the gross margin. Then, if we carefully follow the indirect costs, the additional gross margin is automatically transferred into operating profit, gross and net. In the case of H1 2020, this model is reconfirmed, the total increase by 40% of sales turns into a 180% increase in the gross margin generated.

At the same time, this year 2020, even in the economic conditions of the COVID-19 pandemic, confirms the fact that in H1 2019 we registered a 'one-off' event - the integration of a significant investment made in December 2018. The positive evolution of the cost of goods is natural, since turnover increases by 39%, and the evolution of costs with the cloud reflects the significant increase in revenues from this activity - reconfirming the bet we made a few years ago. In H1 2020 we recorded cloud revenues of RON 6.8 mn, almost triple compared to RON 2.4 mn H1 2019.

We further reproduce only the cost elements that have significant values or evolutions:

	30/Jun/19	30/Jun/20	Evolution
Sales / Distribution costs	3,238,247	4,200,541	30%
Personnel	1,335,405	1,207,103	-10%
Collaborators	1,493,650	2,432,471	63%
Marketing	330,751	458,930	39%
Administrative	5,317,678	5,666,296	7%
Personnel	464,583	433,003	7%
Collaborators - administrative	1,844,440	1,770,916	-4%
Operating Profit	(3,619,375)	2,379,939	-
SOP	392,074	873,241	123%
Brand depreciation	192,867	192,867	0
EBIT IFRS	(4,204,316)	1,313,831	-

The evolution of the cost with the collaborators is mainly due to the increase of the sales bonuses paid, as a result of generating a significantly higher gross margin in H1 2020 vs H1 2019. Thus, in the analyzed period, the gross margin generated by the group was RON 7 mn higher than the previous year, thus the expenses with the bonuses increased by approximately RON 900k.

As we mentioned also in H1 2019 and in December 2019, last year was an atypical one that will not be repeated in the history of Dendrio, with 6 months of costs and 3 months of revenue, which generated a loss. significant for Dendrio in H1 2019. The first half of 2020 found the company operational, with the integration of teams and systems completed, and the "machinery" is thus able to generate business and financial results. As proof, at group level we recorded an increase of RON 6 mn in operating profit - from a loss of RON 3.6 mn in H1 2019 to a profit of RON 2.4 mn in H1 2020.

We remind investors about IFRS 2 adjustments that apply at group level, and are not part of the operational activity of any division, totaling over RON 1 mn:

- 1. Brand depreciation: RON 190k in H1 2020**, similar to H1 2019. As we have shown in previous reports, the cost of depreciating the Bittnet brand is a non-cash element, which assumes that in 15 years the value of

the brand will be zero. No example in business history supports this approximation². In particular, the 3rd link, the definition given by Warren Buffett for 'owner earnings' (the real profit of the company) deals with the subject, proposing as a calculation solution the ignorance of depreciation and the decrease of the CAPEX type cost necessary to maintain the value of assets. In the case of the brand, it is zero (or in no case RON 385k per year!)

- 2. SOP expenses of RON 873k in H1 2020, an increase with almost RON 500k compared to H1 2019.** We will not insist on this subject furthermore, being already dealt with in detail in previous reports. The management's opinion is that the settlement of the SOP by capital increase, and not by the buyback of shares in the market, should not be reflected in P&L, being a balance sheet element. It is, in any case, a non-cash expense³.

² We offer several articles that deal with the issue of depreciation of intangible assets of various kinds: http://bit.ly/WB_amo_1, http://bit.ly/wb_amo_2, http://bit.ly/wb_oe_1

³ This is one of the reasons why in the EGMS from April 2020, the shareholders approved the development of a capital increase with free shares, which remain at the disposal of the company, an operation massively reconfirmed by the voting option expressed electronically at the end of July 2020. Therefore, for future SOPs, the company will have at its disposal shares to 'sell' to option-holders, also registering an income to compensate this non-cash expense.)

Education Division

	30/Jun/19	30/Jun/20	Evolution
Revenue from customers	5,216,792	6,109,739	17%
Services	5,216,792	6,109,739	17%
Cost of sales	3,326,773	2,349,271	-29%
Merchandise	626,352	694,985	11%
Personnel	22,648	-	
Collaborators	506,953	487,595	-4%
Other direct costs	2,170,820	1,166,691	-46%
Gross Margin	1,890,019	3,760,468	99%

We resume the remark regarding the strongly positive evolution of the gross margin – that almost doubles at a growth of only 17% of the turnover. The education division is a business of occupying the classes and human resources paid with fixed costs. Thus, the increase in the number of students in a class generates a decrease in costs 'per student', which is easily observed in line of "other direct costs" (the cost of collaborating trainers), which registered a decrease of 46% compared to last year.

From the point of view of costs on this line of business, we present the elements that have significant weights or special evolutions:

	30/Jun/19	30/Jun/20	Evolution
Sales distribution	1,057,525	1,451,845	37%
Personnel	123,149	80,802	-34%
Collaborators	734,077	1,112,808	52%
Fees	37,457	78,725	110%
Marketing	162,843	179,509	10%
Administrative	1,928,052	1,744,471	
Personnel	97,687	117,283	20%
Collaborators - administrative	532,207	351,952	-34%
Equipment rent	36,397	62,908	73%
Materials	22,517	19,889	-12%
Amortization and depreciation	351,840	263,542	-25%
EBIT	-391,705	1,009,958	-

Compared to the first half of 2019, the increase by RON 1.8 mn (99%) of the gross margin generates an operating profit higher by RON 1.4 mn (an operating profit of RON 1 mn versus a loss of almost RON 400k last year).

Technology Division

	30/Jun/19	30/Jun/20	Evolution
Revenue from customers	34,532,829	49,051,261	42%
Services	5,254,442	8,456,958	61%
Merchandise	29,278,387	40,594,303	39%
Cost of sales	32,572,774	41,899,870	29%
Merchandise	27,022,458	35,789,837	32%
Cloud	1,004,856	2,401,940	139%
Personnel	1,668,298	1,326,831	-20%
Collaborators	818,635	1,113,960	36%
Other direct costs	2,058,527	1,267,303	-38%
Gross margin	1,960,055	7,151,391	265%

As in the case of IT training activity, consulting business enjoys economies of scale. As the cloud and service segments grow stronger, they generate better gross margins. Thus, if in H1 2019 we registered a gross margin of 6% of sales, in H1 2020 this percentage increased to 15%. Thus, even if in total the activity of the division increased by 42%, the gross margin increased over 3 times: from just under RON 2 mn to over RON 7 mn. It is the merit of selling some projects with higher added values, built by the presales team, in which we made better use of the expertise that differentiates us from the competition, reducing our dependence on third-party subcontractors by approximately 38% in terms of value.

The direct costs of the cloud business line increased significantly, but not in line with the increase from RON 2.4 mn to 6.8 mn in related revenues. And the cloud business is one that operates better on a larger scale.

From the point of view of fixed costs, the following elements have the most important weights or values:

	30/Jun/19	30/Jun/20	Evolution
Sales / distribution	2,180,722	2,748,696	26%
Personnel	1,212,256	1,126,301	-7%
Collaborators	759,573	1,319,663	74%
Marketing	167,908	279,421	66%
Administrative	2,997,552	3,048,583	1.7%
Personnel	335,316	347,300	4%
Collaborators - administrative	1,312,233	1,418,964	8%
Amortization	452,466	575,336	27%
Other services from third parties	269,015	268,271	0%
EBIT	(3,303,338)	1,369,981	141%

Marketing spending increased as a result of two marketing campaigns in response to the COVID-19 pandemic and the restrictions imposed by the authorities. It is about "work from home" and "business continuity" campaigns, alongside with the reconstruction and promotion of the Dendrio online shop. As a result, Dendrio websites received more than 50,000 visitors, and almost 40% of the leads generated by this process are new customers, with whom we have not interacted before. The estimated value of the generated pipeline was over EUR 400k.

The normal operation of Dendrio generated an increase of RON 4.7 mn in operating profit - from minus RON 3.3 mn in H1 2019 to RON 1.4 mn in H1 2020.

Operational and financial result and gross profit

The group's operating result increased by RON 6.1 mn compared to H1 2019. The increase consisted of RON 4.7 mn improvement in the Technology division and 1.4 million in the Education division.

The total financial expenses of the group registered the value of RON 1.6 mn, increasing by 60% compared to H1 2019. These are mainly since in H1 2020 we recorded a full semester of interest expenses for the 4 bond issues, unlike last year.

In particular, the financing activity at group level generated interest expenses amounting to approximately RON 700k, expenses that were not re-allocated to the business segments. In other words, compared to the current financing needs of the business in H1 2020, we had too much borrowed capital. Of course, this situation is much preferable to the opposite, in which we do not have enough funding for the current activity, these expenses being assumed by the company in pursuit of the objective of building a financial fortress. Our good financial standing is also reflected in the access to special projects, but also in the good relations with the main suppliers.

On the other hand, if we analyze roughly the budget of this year, in which we have interest expenses for bonds of approximately RON 3 mn, and a budgeted profit of RON 2.7 mn, we consider that it becomes an interesting alternative to make an offer of preferential shares which will offer a priority dividend of approximately RON 3 mn, to replace the financing by bonds.

Such an approach would allow all actors to take advantage: investors who are willing to take the credit risk of Bittnet would have essentially the same degree of seniority in the case of preferred shares versus unsecured bonds, but keep a larger share of the amounts distributed, because the dividend tax is 5%, versus 10% on interest. In addition, if we anchor the dividend as a percentage of EBITDA (or profit), the preferred shares will also benefit from a significant upside, along with the growth of the company's business.

From the company's point of view, we would eliminate the distortions of the financial results introduced by the bond issues. Thus, if in most of Bittnet's years of activity we operated with relatively insignificant depreciation and interest, starting with 2019, we began to record large amounts in interest accounts due and depreciation, as a result of acquisitions financed with bonds.

The bet made on these investments (acquisitions, M&A projects) proved to be the correct one, each of the companies in which we invested registering very good results in the two years after the investment: Elian will double in 2020 versus 2018 - the year of investment, and Dendrio will exceed RON 100 mn in turnover in 2020, versus RON 20 mn in 2017 - the year of acquisition. As a parenthesis, in the same sense we consider that it is opportune to take over the Equatorial activity fully. Until H1 2020, Equatorial's income to Bittnet (interest and dividends) marked a return on capital of 20%.

Returning to the opportunity to issue preferred shares, we note that these bets too proved to be correct, they could only be made quickly through bond issues, but we believe it is a good time to build a capital structure that reflects more accurately the company's profitability.

In H1 2020, the gross profit of the group registered a positive evolution of RON 4.7 mn, from a loss of RON 5.3 mn in H1 2019, to a loss of only RON 563k in H1 2020. This is a good moment to remind that this amount includes non-cash adjustments of over RON 1 mn for SOP and depreciation of the brand.

Net Profit

The net result in H1 2020 is in line with the gross profit, registering the value of RON -557k, RON 4 mn better than in H1 2019.

Dividends declared and paid

The company did not pay dividends in the first half of 2020. The Company's dividend policy is detailed here: <https://investors.bittnet.ro/corporate-policies/dividend-policy/?lang=ro>

Cash Flow Statement

From an operational point of view, the current activity was 'cash flow neutral', the cash increase registered during the reporting period being the result of the successful development of the capital increase operation with new contributions during March - April 2020, in line with the vision to build a financial fortress. Thus, the cash availabilities at the end of the reporting period were 25 million lei, which generates a degree of indebtedness measured as 'net debt' of almost 0 (zero).

	30/Jun/19	30/Jun/20
Cash flows from operating activities:		
Gross Profit	(5,331,113)	(563,298)
Depreciation expenses	997,173	1,031,746
Benefits granted to employees - SOP	392,074	873,241
Interest expenses and other financial costs	933,595	1,747,409
Interest expenses and other financial costs - leasing	191,067	159,414
Interest income and other financial income	(122,486)	(95,723)
Equity securities gain	84,601	244,983
Operating profit before the change in working capital	(2,855,088)	3,397,771
Change in the balances of the accounts of commercial debts and other debts	(3,582,818)	(4,746,992)
Change in balance of stock accounts	(2,037,474)	1,025,668
Change in the balances of the commercial and other debts accounts	8,823,106	37,842
Cash generated from operating activities	347,726	(285,711)
Income Tax paid	(579,016)	(50,005)
Net cash from operating activities	(231,290)	(335,716)
Cash flows from investment activities:		
Payments for the acquisition of subsidiaries, less cash purchased	(709,920)	-
Loans granted to related entities	(23,560)	(23,560)
Goodwill acquisitions		-
Acquisition of tangible and intangible fixed assets	(575,669)	(322,239)
Interest received	132,842	72,163
Net cash from investment activities	(1,176,307)	(273,636)
Cash flows from financing activities:		
Proceeds from the issue of shares		8,853,597
Bank loan drawings	-	2,383,194
Repayments of bank loans	(401,068)	(3,005,006)
Proceeds from the issuance of bonds	9,600,000	-
Repayments of the bond issue	(4,186,000)	-
Payment of debts related to financial leasing	(594,377)	(743,938)
Interest paid	(844,541)	(1,638,990)
Net cash from financing activities	3,574,015	5,848,857
Net increase in cash and cash equivalents	2,166,418	5,239,505
Cash and cash equivalents at the beginning of the financial year	13,047,882	20,824,117
Cash and cash equivalents at the end the financial year	15,214,300	26,063,622

3. Analysis of the company's activity

3.1. Presentation and analysis of trends, elements, events or uncertainty factors which affect or could affect the company's liquidity position, in comparison with the same period of the last year.

Obviously, the event that marked the first half of 2020 is the global COVID-19 pandemic, and the restrictions on movement and activity (lockdowns) imposed by governments all over the world, significantly affecting some industries.

This situation could generate a liquidity crisis, as a result of the fears of consumers and companies about a future recession or economic crisis. However, it seems that the monetary measures taken by governments and central banks have given enough confidence to the business environment that a 'credit crunch' will not happen.

We followed very carefully during February – May period the liquidity indicators - the conversion of receivables into cash, turnovers with customers and suppliers, etc. Fortunately, none of these risks materialized in any way, the business having an operational cash flow similar to that of H1 2019, and having no payment incidents of any size (much less major).

Certainly, for H2 2020, the element that may have the greatest negative influence on the smooth running of the group's business is (as we wrote in the analysis of the COVID-19 impact) the government's reaction to the global pandemic. Thus, so far it seems that the scenario we are operating with is the 'global pandemic' scenario. The alternative, which still exists as a risk for H2 2020, is the "pandemic plus economic crisis" scenario.

In this sense, we resumed the analysis of M&A projects to expand the range of products and services we approach customers with, but at the same time we continue to pay close attention to the continuous strengthening of the financial position, so that the position of 'financial fortress' is one among the things that make us both attractive to clients and 'investees' but also to increase our chances of survival and prosperity.

There are several opinions that say that the great economies of the world, but also Romania, are in the last phases of a new "bubble" and that, therefore, a crisis will follow. Of course, there is always a crisis, but it is important to estimate 'how fast'. The signals received from partners, customers and suppliers, show that Romania is still not close to the peak.

Liquidity position

Ratio	Formula	H1 2018	H1 2019	H1 2020
Current liquidity ratio	Current Assets / Current Debts	1.43	2.27	1.52
Fast liquidity ratio	(Current Assets – Stocks) / Current Debts	1.34	2.22	1.41

Current liquidity and quick liquidity are two of the most important financial rates of a company and they measure the ability to pay short-term debt using available short-term assets.

The previous increase (in H1 2019) of the levels of these indicators was mainly due to the increase of the cash availability from the “house and bank” account, as a result of the migration to a medium-long term financing structure, by using the mechanisms of the capital market - in particular, bond issues with maturities of 3-5 years. As the group continued its expansion, H1 2020 led to the return of these indicators to historical values.

The high level of the liquidity rates implies a reduced weight of the fixed assets and a shorter period for the capitalization of the services sold by the company which results in a more efficient use of working capital. In the present situation, the current activity and working capital are not dependent on financing from short-term loans.

In theory, the optimal value for the liquidity rate varies greatly depending on the sector of activity. Thus, there are sectors where the optimal liquidity is 2 or even higher, but also sectors that work very well with levels of 1.5 or slightly below 1.

3.2. Presentation and analysis of the effects on the company’s financial position of all capital expenditure, either current or anticipated (by mentioning the purpose and the source of finance for the expenditure), in comparison with the same period of the last year

According to the ones approved by the General Meeting for 2020, the Company has the following Budgets:

Investments budgets

Asset acquisitions / investments will be sized at 10,000,000 lei, provided that there are financing sources for implementation. The investment plan includes:

- Continuous modernization of the work environment and training center
- Dendrio brand promotion campaigns
- Continuation of IT resource acquisitions - website and online store upgrade, computer programs, IT infrastructure for internal use, etc.
- Launch of IT platforms, customer products, learning games, support systems for customer interaction
- Ensuring the constant operation of IT systems and their continuous upgrade to the latest working variants
- Providing cloud and managed services to the Company's clients.

The company's management will take all necessary steps so that these operations do not affect the company's cash flow. In this sense, negotiated rental contracts will be considered for most IT equipment, furniture, etc. - in this case the rental contracts may exceed the cumulative threshold provided in Art. 241 paragraph 2 of Law 297/2004.

The group continuously invests in the development of IT systems, technological platforms for access to information, internal management but also in IT applications that can be offered to customers (games launched by Equatorial). In 2020, the main investment was the launch of the course enrollment management platform from clients presented under the name "UXI". None of these investments exceeds the limit of 20% of fixed assets imposed by law, they are within the investment budget approved by the GMS for 2020.

3.3. Presentation and analysis of the events, transactions, economic changes which significantly affect the income

generated by the main activity. Mention of the extent to which the income has been affected by each element identified. Comparison with the same period of the last year.

According to the DESI₁ index carried out by the EU since 2014 and which measures the degree of digitalization of European companies and economies, Romania ranks 26th out of all 28 member countries, which means that we have a long way to fill in the gaps. That is why we have publicly stated on several occasions that "digital infrastructure" should become a national priority for any Government to support economic recovery and to transform Romania into a European economic power.

According to the index, the best results for our country are recorded in the Connectivity dimension, due to the high use of high-speed internet broadband and the wide availability of very high capacity fixed networks, especially in urban areas. However, the digitalization of the economy has lagged, given that almost a fifth of Romanians have never used the internet and less than a third have at least basic digital skills.

Romania ranks 27th out of 28 in terms of human capital, stagnating in this regard compared to the previous year. The levels of at least elementary digital competences and at least elementary competences in software place Romania on the 27th place among the EU member states. Less than a third of people between the ages of 16 and 74 have at least basic digital skills (58% at EU level), while 35% have at least basic software skills (compared to an EU average of 61%). In terms of digital skills above the elementary level, Romania ranks last in the EU, with only 10% of people.

Romania also ranks 27th place in terms of the integration of digital technology by companies, far below the EU average. For example, 23% of Romanian companies exchange electronic information (ERP systems), while only 8% use social communication platforms (EU average being 25%). There has been a slight improvement in the share of SMEs making online sales, from 8% in 2017 to 11% in 2019, but this remains well below the EU average of 18%. More and more SMEs started selling their products online, but this only applies to 6% of the total number of SMEs, compared to an EU average of 8%. The use of public cloud services is only 7% while the European average is 18%.

Starting from these gaps, we started, at the level of the Bittnet Group, a series of initiatives that aim at both the dimension of human capital and of integration of digital technology by companies. Thus, we have committed that in the next 5 years we will contribute to the professional reconversion of at least 25,000 people together with other initiatives that we presented to you in the following pages.

The main event in the first half of the year that affected the company's core business was the crisis generated by the COVID-19 pandemic and the economic imbalance resulting from the lockdown period and later from the restrictions generated by the alert state.

It is a well-known fact that the training budget, especially in Romania, is among the first to be affected by any crisis. In fact, following the study we conducted, in the first weeks after the instauration of the state of emergency, which was attended by over 125 professionals in L&D and HR, we learned that over 60% of respondents reported freezing training budgets and over 40% said that training is not a priority for business in times of crisis. In general, we noticed from our clients a cautious and reserved approach regarding the continuation of the training projects, a large part of them moving the implementations in the 4th quarter of the year.

The impact on the Education Division

was different if we look at the two companies. In the case of Bittnet Training there is the habit of delivering programs in live-virtual format (IT training programs usually have a large teaching component) and then it was quite easy for us to move the entire activity in a very short time on-line.

Instead, Equatorial's activity was very seriously affected by this change in the market, because the delivery of soft-skills trainings was done exclusively in the classroom. Basically, in March and April, Equatorial team had to build training programs for the online environment from scratch, learn to use Webex, Teams and Zoom platforms and learn to deliver live-virtual, activity that requires a completely different set of abilities.

The actions we initiated in response to this situation focused on several directions that we believe will help us overcome this moment but perhaps more importantly to reconfigure the organization for what specialists call "the new low touch economy":

1. We have resized and reallocated marketing budgets to an "inbound marketing" project that also has an important software component attached and which has already begun to give results in terms of generating traffic to websites and sales leads;
2. We have launched a project to reconfigure the sales model in such a way as to make it simpler, faster and more accessible for customers, with the aim of increasing sales volume;
3. We launched a sales project to international markets within Bittnet Training, targeting especially the markets and companies less affected by the crisis;
4. We have completed and launched the learning game Bona Fides Agency which has a subscription-based business model and we have intensified our sales efforts for the VRunners game in such a way as to increase the online component of the Equatorial offer;
5. We have built and completed 80% of a large project of professional reconversion to the IT industry, capitalizing on the opportunity generated by high unemployment on the one hand and the demand for "entry level" positions in IT on the other hand.

Impact on the Technology Division

Obviously, the Technology Division also feels the impact of the events related to the COVID-19 pandemic. We believe that in the short term (by the end of 2020) we will see an acceleration of the digitalization process of companies, with a potential to maintain this direction for 2021 - according to the study conducted by Bittnet over 67% of companies surveyed said they will keep solutions implemented to facilitate remote work and after overcoming the crisis. However, we believe that the company's ability to react to the current health crisis and the possible shock wave that could follow (economic crisis) is relatively limited, the risk of a contraction of the IT market for 2021 being extremely real.

Some directions of evolution during the first quarter of 2020 in the market in which we operate:

1. Intensification of demands related to remote work, resource availability (systems & data availability) and operational efficiency - including an increase in interest in securing systems. In this context there is pressure in the operational area for the Dendrio and Elian teams to take over this additional flow and to maintain (or increase) the project delivery flow constantly (or increase);
2. The budgets allocated to IT projects - both within private companies and in the case of state entities - were executed with reduced deviations from the initial plans. However, the allocation of new budgets (generation of new projects - with an impact in H2 2020) is more difficult, with companies focusing on solutions that reduce costs / reduce operational risks, consolidate operations in the new context (emphasis on remote interactions both for team members but also in the relationship with customers and partners);
3. As expected, small and medium-sized companies feel more acutely this period, due to the lack of skills and digital platforms but also because of more difficult access to know-how and financing.

During H2 2020, the evolution of the technology market will be significantly influenced by the evolution of the health crisis but also by the way in which the plan of measures launched by the government will be implemented. SME Invest programs and [Non-refundable Grants awarded to SMEs](#) can mitigate these effects if they are carried out efficiently and the funds reach the beneficiaries in a timely manner.

Among the measures that the Technology division of the Bittnet group will implement in the next period - to reduce the effects of current volatility and to prepare for long-term sustainable growth, we mention:

1. Intensifying the digitalization of the sales process - both at the level of operational platforms and at the level of team structure;
2. Focus on financially and operationally flexible solutions (OPEX / CAPEX) that increase our customers' resilience to such crisis situations;
3. Strengthening existing partnerships and developing new partnerships to increase the level of digitalization of companies in Romania, both in terms of IT infrastructure and especially in the area of business applications and data;
4. Intensify the sales and delivery processes together with the group companies.

4. Changes which affect the company's capital and administration

4.1. Description of the situations when the company was unable to fulfil its financial obligations within that period.

The company has not been unable to fulfil its financial obligations.

4.2. Description of any change in the rights of holders of securities issued by the company.

There are no changes regarding the rights of the holders of securities issued by the company.

The capital increase with new contributions - March – April 2020

In the first half of 2020, the Company carried out a capital increase by issuing a number of 11,046,641 new shares offered for subscription based on the pre-emptive right. In stage 1 - between March 5 and April 3, 2020 - 5,046,928 new shares were subscribed (45.69% of the total issue) at the price of 0.83 lei per share. The subscription price was determined according to the GMS Decision of April 2019. A number of 189 natural and legal investors subscribed during this stage. In the 2nd stage, the Company offered for sale the 5,999,713 shares remaining unsubscribed, within a private placement, at a price per unit of 0.831 lei. The subscriptions were made by 51 natural and legal investors. The value of the funds attracted in operation was RON 9.17 mn.

According to the shareholders' decision from April 2019, the preference rights were traded before the subscription period on the alternative system of BVB, as well as the allocation rights, subsequent to the subscriptions - a premiere for the Issuer. This was possible to shorten the period between the time of subscription of new shares and the time of registration of the new capital structure at the Trade Register and ASF.

The capital increase with free shares - 7 new share for 10 shares owned

In April 2020, the company's shareholders approved the increase of the share capital with the amount of 8,907,489.30 lei (representing 89,074,893 new shares) by capitalizing the share premiums and the undistributed profit from the previous years. The value of the increased capital thus became 21,632,474 lei (a total of 216,324,740 shares). The free shares were allocated in the shareholders' accounts in proportion to the holding from the registration date established by the GMS: 21.07.2020. The allocation ratio was 7:10, each shareholder holding shares on the registration date received 7 free shares for every 10 shares held. The Central Depository charged the shareholders' trading accounts at the beginning of August.

Options exercised cash distribution or shares – share increase 1:10

The General Meeting of Shareholders voted on 29.04.2020 an increase of the share capital with a number of 12,724,985 shares for the benefit of the shareholders registered in the Register of Shareholders kept by the Central Depository on the registration date of 21.07.2020. The shareholders from the reference date of the GMS agreed that the shares thus acquired will be left at the company's disposal, for a period of 12 months from the date of acquisition, in order to fulfill the stock option plans approved by previous general meetings.

However, considering that the shareholders from the date of registration of the EGMS Decision no. 3 (21.07.2020) could have been different from the shareholders from the reference date for the EGMS of 29.04.2020 and considering the written correspondence and the Issuer's meetings with the Financial Supervisory Authority (FSA) on this topic, the Board of Directors adopted an additional procedure in order to offer all shareholders from the date of registration (21.07.2020) the opportunity to vote expressly if they choose consistency with the Shareholders' Decision from the reference date for the EGMS - thus receiving a cash distribution in value of 0.1 lei for every 10 shares held, or prefers another option. The Issuer identified as the only alternative solution for those already adopted by shareholders a process by which shareholders who do not express the option to continue the process approved by the EGMS, can take possession of a free share for every 10 shares held on July 21, 2020 This process will be able to be completed (according to the ASF address) after a new GMS decision ratifying the additional

procedure, and expressing a new point of view of the ASF on this issue. The issuer estimates a deadline for the completion of these operations no earlier than October 2020.

The additional procedure was carried out through an online portal made available to investors from the registration date 21.07.2020 through which they could choose if they want cash distribution. During the period of choosing the options (July 22, 2020, at 00:00 and July 30, 2020, at 17:00) The Issuer received a number of 285 voting options, from 285 shareholders representing a total of 100,696,516 voting rights, ie 79.1329% of the total voting rights of the company. Of the options expressed, 172 shareholders representing 92,448,298 voting rights, i.e. 72,6510% of the total voting rights opted for OPTION 1 - cash distribution. The company transferred to these shareholders the amount of 924,482 lei on August 3, through the settlement system of the Central Depository, having the Payment Agent Banca Transilvania. Of the options expressed, 113 shareholders representing 8,248,218 voting rights, i.e. 6.4819% of the total rights opted for OPTION 2 - one free share for every 10 shares held on July 21, 2020. A number of 1642 shareholders representing 26,553,331 voting rights, i.e. 20.8671% of the total voting rights did not take any action, being therefore considered to have opted for OPTION 2 - one free share for every 10 shares held on July 21, 2020. For shareholders who opted for additional free shares, we remind you that if applying this report, the result is not a natural number, the free shares will be calculated according to the regulations, by rounding down to the first natural number. Following the ratification by the GMS of the procedure and its results, and the issuance by the FSA of a new CIVM, the Central Depository will charge in the Issuer's account a number of 9,244,829 shares and in the accounts of the shareholders listed in the previous paragraph a total number of 3,480,154 shares.

We would like to use this opportunity to remind the shareholders that the 9.24 million shares that will be uploaded to the global account of Bittnet Systems, after the ratification of the GMS and the issuance of the CIVM by ASF, will be used by the Company in the future to be transferred to key persons included in SOP 2019-2020 (with exercise date May - June 2021). If the key persons will bring an increase in value of the company between January 1, 2019 and May 2021, these persons may collectively request the Issuer to transfer a total of 5% of the company's shares, at a price per share reflecting the capitalization from January 1st, 2019. If these possibilities materialize, the Company will have at its disposal the 9.24 million shares described above, which it will transfer to the holders of options, the Company registering a significant cash infusion (shares will be transferred to the holders of options at a price higher than the nominal value of the shares), but also by honoring the promise to the employees, if they will increase the value of the company.

Options exercised from the incentive plan approved in 2018 (SOP2018)

At the beginning of the financial year 2018, the General Meeting of Shareholders approved an incentive plan with options for key persons, which contains the option for key persons to purchase from the company shares in a total percentage of 5% of the total capital, at a calculable price per share taking into account the number of shares of the company at the date of the operation and the capitalization of the company on January 1, 2018 - 33,100,000 lei. At the same time, the General Meeting approved the mandate of the Board of Directors to fulfill all the necessary formalities, including the capital increase with the lifting of the preferential right for the other shareholders (non-holders of options). This incentive plan expired in 2020, and the option holders exercised their options.

According to SOP2018 approved by the General Meeting of Shareholders in April 2018, 47 people working for Bittnet Group were included in the incentive plan with options - and therefore will receive shares in the increase. In addition to the access to quality human resources, the development of the incentive program - SOP2018 - creates for the Company a double benefit in terms of cash flow and financial position (balance sheet): on the one hand, to complete incentive plan the company did not have to decapitalize (through redemptions of shares in the market), on the other hand, equity increases, without generating any disadvantage for minority shareholders. In this way, by implementing the incentive program, the interests of the employees - the key people in the company - are aligned with those of the shareholders. At the time of writing, the operation is in progress.

Capital increase contributions – estimated period of implementation: Q4 2020

During the General Meeting of 29.04.2020, the shareholders voted for a new issue of shares to be offered for subscription to the existing shareholders based on the right of preference. The maximum number of shares that can be subscribed will be 18,178,550 shares with a nominal value of 0.1 lei / share and an issue premium whose calculation formula was decided by the General Assembly and which will offer subscribers an upside of 20 % compared to the trading price in the market, at the start of the operation. First issue calculation formula:

$$[(\text{average trading price from last 30 days}) / \text{adjustment factor}] - 0,1$$

where the adjustment factor is 1.2.

The average price will be calculated according to the date of filing in physical format at the ASF registry of the Prospectus / Proportional Prospectus related to the increase. The increase of the share capital is achieved by offering the new shares for subscription, within the preference right, to the shareholders registered in the shareholders' register on the registration date related to this operation. For the subscription of 10 new shares, 70 BNETR08 preference rights are required. The Central Depository has loaded the preferential rights in the shareholders' accounts from the registration date of May 21, 2020. Before stage 1 of the subscriptions, the preferential rights will be tradable on the relevant BVB market so shareholders who do not wish to exercise them will be able to sell them to other interested investors. After the expiration of the period of exercising the right of preference (stage 1 of the increase), the newly issued shares, remaining unsubscribed, will be offered for subscription in a private placement, at a price that will be higher than the price in stage 1.

The current shareholding structure as of June 30th, 2020

The current shareholding structure on June 30th, 2020, according to information obtained from the Central Depository, is as follows:

Shareholder:	% of share capital and voting rights:
LOGOFĂTU CRISTIAN-ION	12,9677%
LOGOFĂTU MIHAI-ALEXANDRU-CONSTANTIN	14,1440%
CĂPĂȚÎNĂ-GROSANU RĂZVAN	10,3302%
OTHER SHAREHOLDERS	62,5582%

5. Significant intragroup transactions

Not applicable - during the reporting period, the company did not conclude significant transactions with persons with whom it acts in concert or with affiliates. In the course of the normal operational activity, there are commercial flows that generate transactions between the companies from the Group, which are presented below:

Eliau deliveries

1. Towards Dendrio:
 - a. RON 3263 – 1 invoice, license Dynamics NAV and 'software assurance' from Microsoft
 - b. RON 6000 – 6 invoices Dynamics NAV monthly support
2. Towards Bittnet: RON 6000 – 6 invoices Dynamics NAV monthly support

Dendrio deliveries

1. Towards Bittnet: RON 588,612.27 - 44 invoices for 29 projects of IT reselling
2. Towards Eliau: RON 24.001 - 14 invoices for 5 projects of reselling and intragroup cost adjustments

Bittnet deliveries

1. Towards Eliau: 43 invoices, re-invoicing indirect costs of RON 87,932.34
2. Towards Equatorial: RON 21,944.65 – 28 invoices re-invoicing indirect costs
3. Towards Dendrio:
 - a. RON 1.155.853 – 70 invoices, re-invoicing indirect costs
 - b. RON 26,746 – 3 invoices, 3 final clients, reselling solutions and products

6. Realization targets for 2020

Profit and Loss Account [RON]*	Expected value 2020	Reported value S1 2020	% of achievement after S1
Turnover	125,000,000	55,161,001	44%
Operating costs, including:	118,700,000	54,115,978	45%
- Depreciation and Amortization	3,200,000	1,031,746	32%
Operating result	6,300,000	1,313,831	21%
Financial results, including	(3,600,000)	(1,632,147)	45%
- Financial Expenses	(5,400,000)	(1,958,133)	36%
Gross Result	2,700,000	(563,298)	-121%
Net Result	2,538,000	(557,112)	-122%
Number of shares	200,000,000	216,324,740**	
Net income per share (in BANI)	1.27	(0.25)	

* CONSOLIDATED VALUES AT GROUP LEVEL

** At the date of writing this report, the Issuer is in the process of registering the new share capital resulting from the increase operation related to the implementation of the incentive plan with options for key persons - SOP2018. Additionally, after the ratification by the GMS of the additional procedure by which the share capital was increased with the shares resulting from Decision no. 3 EGMS of 29.04.2020, the Issuer will address the Financial Supervisory Authority for the registration of the new number of shares by allocating, through the Central Depository, the shares in the accounts of the shareholders or of the Company according to the shareholders' option.

7. Signatures and declarations according to art. 123 2 point B, letter c of the ASF Regulation no.1 / 2006.

Cristian Logofătu, as a member of the Board of Directors of the Company states that, to his knowledge, the half-yearly accounting report prepared in accordance with applicable accounting standards, provides a correct picture and is in accordance with the reality of assets, liabilities, financial position, account profit and loss of the Issuer or its subsidiaries included in the consolidation process and that it correctly and completely presents the information about the Issuer.

8. Annexes

Attached are the half-year, unaudited financial statements:

CONSOLIDATED SITUATION OF COMPREHENSIVE INCOME

	For a 6 month period	
	30 iunie 2020	30 iunie 2019
Revenues from contracts with customers	55,161,001	39,749,621
Sales costs	(44,249,141)	(35,899,547)
Gross margin	10,911,860	3,850,074
Other incomes	268,808	501,535
Sales expenses	(4,200,541)	(3,238,247)
General and administrative expenses	(5,666,296)	(5,317,678)
Equity securities gain	(244,983)	(84,601)
Interest income	325,986	122,486
Financial expenses	(1,958,133)	(1,164,681)
Gross Profit	(563,298)	(5,331,113)
Tax	6,186	717,281
Net Profit, of which:	(557,112)	(4,613,831)
related to the parent company	(681,595)	(4,583,280)
related to non-controlling interests	124,483	(30,551)
Net Profit	(557,112)	(4,613,831)
Other elements of the overall result	-	-
Total Global result	(557,112)	(4,613,831)
related to the parent company	(681,595)	(4,583,280)
related to non-controlling interests	124,483	(30,551)

The interim consolidated financial report on the following 4 pages was approved and signed by the directors on August 20, 2020

Mihai Logofătu

CEO

Adrian Stănescu

CFO

CONSOLIDATED SITUATION OF FINANCIAL POSITION

	<u>30 Jun 2020</u>	<u>31 Dec 2019</u>
ASSETS		
Fixed assets		
Goodwill	17,701,643	17,701,643
Other intangible assets	6,079,038	6,039,991
Tangible fixed assets	5,994,018	6,742,571
Equivalent titles	991,756	1,236,738
Other financial assets	1,107,049	1,056,588
Deferred tax	643,354	562,443
Total fixed assets	32,516,857	33,339,974
Current assets		
Stocks	971,621	1,997,289
Trade receivables and other receivables	37,017,536	32,300,201
Cash and cash equivalents	26,063,622	20,824,117
Total current assets	64,052,779	55,121,607
TOTAL ASSETS	96,569,637	88,461,581
EQUITY AND DEBTS		
Share capital	22,904,973	11,620,321
Premiums	982,966	-
Other equity items	1,671,049	1,118,923
Reserves	365,212	352,151
Reported result	(4,832,083)	(1,044,521)
Capital related to the parent company	10,368,907	12,046,873
Non-controlling interests	356,776	324,703
Total equity and reserves	10,725,683	12,371,577
Long-term debts		
Bonds	28,304,011	28,195,593
Bank loans	1,624,738	4,807,687
Leasing debts	2,827,204	3,842,943
Total long-term debts	32,755,953	36,846,223
Current debts		
Bank loans	6,121,554	3,560,417
Leasing debts	1,756,865	1,325,649
Profit tax liabilities	251,600	226,880
Commercial and other liabilities	34,168,678	34,130,836
Total current debts	42,298,696	39,243,781
Total debts	75,054,649	76,090,004
TOTAL EQUITY AND DEBTS	96,569,636	88,461,581

CONSOLIDATED SITUATION OF CASH FLOW

	Pentru perioada de 6 luni	
	30 iunie 2020	30 iunie 2019
Gross Profit	(563,298)	(5,331,113)
Adjustments for::		
Depreciation expenses	1,031,746	997,173
Benefits granted to employees - SOP	873,241	392,074
Interest expenses and other financial costs	1,747,409	933,595
Interest income	63,691	68,581
Equity securities gain	244,983	84,601
Operating profit without change in working capital	3,397,771	(2,855,088)
Variation of receivables account balances	(4,746,992)	(3,582,818)
Variation of stock account balances	1,025,668	(2,037,474)
Change in accounts payable balances	37,842	8,823,106
Cash generated from operating	(285,711)	347,726
Profit tax paid	(50,005)	(579,016)
Net cash from operating activities	(335,716)	(231,290)
Investment activities:		
Payments for the acquisition of subsidiaries, +/- cash purchased	-	(709,920)
Acquisitions of tangible and intangible assets	(322,239)	(575,669)
Interest received	48,603	109,282
Net cash from investment activities	(273,636)	(1,176,307)
Financing activities:		
Proceeds from share issue	8,853,597	-
Repayments of bank loans	(621,812)	(401,068)
Proceeds from bond issue	-	9,600,000
Repayments on bond issue	-	(4,186,000)
Payment leasing debts	(743,938)	(594,377)
Interest paid	(1,638,990)	(844,541)
Net cash from financing activities	5,848,857	3,574,015
Net increase in cash and cash equivalents	5,239,505	2,166,418
Cash and cash equivalents at the beginning of the financial year	20,824,117	13,047,882
Cash and cash equivalents at the end of the financial year	26,063,622	15,214,300

CONSOLIDATED SITUATION OF CHANGES IN EQUITY

	Share Capital	Premiums	Other equity items	Legal reserves	Reported result	Total capital	Non-controlling interests	Total Equity
31 Dec 2019	11,620,321	-	1,118,923	352,151	(1,044,521)	12,046,873	324,703	12,371,577
Net Profit	-	-	-	-	(681,595)	(681,595)	124,483	(557,112)
Other elements of the global result	-	-	-	-	-	-	-	-
Total Global result	-	-	-	-	(681,595)	(681,595)	124,483	(557,112)
<i>Transactions with shareholders</i>								
Capital share increases	11,284,651	982,966	(321,115)	-	(3,092,905)	8,853,597	-	8,853,597
Benefits granted to employees SOP	-	-	873,241	-	-	873,241	-	364,037
Distribution of dividends	-	-	-	-	-	-	(26,316)	(26,316)
Distribution of the legal reserve	-	-	-	-	13,061	(13,061)	-	-
30 iunie 2020	22,904,973	982,966	1,671,049	365,212	(4,832,083)	21,092,116	422,871	21,514,987
	Share Capital	Premiums	Other equity items	Legal Reserves	Reported result	Total capital	Non-controlling interests	Total equity
31 Dec 2018	5,175,524	2,594,889	1,038,755	266,124	4,723,437	13,798,728	201,818	14,000,546
Net Profit	-	-	-	-	(4,583,280)	(4,583,280)	(30,551)	(4,613,831)
Other elements of the global result	-	-	-	-	-	-	-	-
Total Global result	-	-	-	-	(4,583,280)	(4,583,280)	(30,551)	(4,613,831)
<i>Transactions with shareholders</i>								
Capital share increase	1,938,928	989,503	-	-	(2,928,432)	-	-	-
Benefits granted to employees SOP	-	-	392,074	-	-	392,074	-	392,074
30 iunie 2019	7,114,452	3,584,392	1,430,829	266,124	(2,788,275)	9,607,522	171,267	9,778,789

Decision of EGSM from 29.01.2020 for approving the new Article or Association of the Company

In accordance with:

1. The Convening notice for the EGMS published on the Company's website (<http://www.bittnetsystems.ro/investors/>) and on BSE website (<https://www.bvb.ro/>) on the 23rd of December 2019 and in the Romanian Official Gazette, part IV, no. 5240 from the 23th of December 2019 and in Jurnalul National of December 27th 2019 as it was completed on January 9, 2020 and published in the Official Gazette of Romania, Part IV, number 113 on 13.01.2020 and in the Ziarul Bursa on 13.01.2020, and the Company's website and on the BVB website;
2. The provisions of the Companies Law no. 31/1990, republished, with the subsequent amendments and completions (Law no. 31/1990);
3. The provisions of Law no. 297/2004 regarding the capital market, with the subsequent modifications and completions (Law no. 297/2004);
4. The provisions of Law no. 24/2017 regarding the issuers of financial instruments and market operations, as subsequently amended and completed (Law no. 24/2017);
5. The provisions of CNVM Regulation no. 1 from 2006 regarding the issuers and the operations with securities, with the subsequent modifications and completions (Regulation no. 1/2006);
6. The provisions of CNVM Regulation no. 6/2009 regarding the exercise of certain rights of the shareholders in the general meetings of the companies, with the subsequent modifications and completions (Regulation no. 6/2009);

The shareholders have decided upon the items on the EGSM agenda as it follows:

Item 1

In the presence of the shareholders representing 71.1425% of the share capital and 71.1425% of the total voting rights, with the affirmative vote of the shareholders representing 71.1412% of the share capital and 99.9987% of casted votes, the New Articles of Incorporation of the Company were approved.

Decision of EGSM from 29.04.2020 for approving the new Article or Association of the Company

In accordance with:

1. The convening notice for EGMS published on the Company's website - (<http://www.bittnetsystems.ro/investors/>) and on the BVB website (<https://www.bvb.ro/>) on March 20, 2020, in the Official Gazette of Romania, Part IV, number 1177 dated March 26, 2020 and in Ziarul Jurnalul National dated March 27, 2020 as completed on April 13, 2020 and published on the Company's website and on the BVB website on April 14, 2020 and in the Official Gazette of Romania, Part IV, number 1435 of April 16, 2020 and in the Jurnalul National Journal on April 15, 2020;
2. The provisions of the Companies Law no. 31/1990, republished, with the subsequent amendments and completions (Law no. 31/1990);
3. The provisions of Law no. 297/2004 regarding the capital market, with the subsequent modifications and completions (Law no. 297/2004);
4. The provisions of Law no. 24/2017 regarding the issuers of financial instruments and market operations, as subsequently amended and completed (Law no. 24/2017);
5. The provisions of CNVM Regulation no. 1 from 2006 regarding the issuers and the operations with securities, with the subsequent modifications and completions (Regulation no. 1/2006);
6. The provisions of CNVM Regulation no. 6/2009 regarding the exercise of certain rights of the shareholders in the general meetings of the companies, with the subsequent modifications and completions (Regulation no. 6/2009);

Following the debates, the shareholders of the Company adopted the following decisions regarding the amendment of the Articles of Association:

Item 2

In the presence of shareholders representing 80.3394% of the share capital and 80.3394% of the total voting rights, registering 80.2440% of the votes cast and with the affirmative vote of the shareholders representing 100% of the total votes cast,

Was approved the capital increase with free shares in amount of RON 8,907,489.3 through the issuance of 89,074,893 new shares with a nominal value of 0.1 RON / share for the benefit of the shareholders registered in the Register of Shareholders kept by the Central Depository on the registration date established by the EGMS. The distribution of the newly issued shares will be made in proportion to 7 free shares for every 10 shares held. If in case of a shareholder that the application of the proportion of 7/10 leads to a number of shares that is not an integer, the new number of shares to be received is calculated by rounding to the lower whole. The company will compensate the shareholders for the fractions resulted through the Central Depository. The amount to be compensated is obtained by multiplying the fraction by ten decimals with the compensation price and then rounding to two decimals the result of the multiplication. The compensation price was determined according to art. 176 of Reg. 5/2018 and is 1.0155 RON. For example, if, by applying the allocation report, 1.5 shares result, the respective shareholder will receive 1 new share and 0.50 RON. The increase of the share capital will be achieved by using the following sources:

- capitalization of issue premiums amounting to RON 7,087,082
- the capitalization of the amount of RON 1,820,407.3 from undistributed profit from previous years

Approval of the registration date (defined as the date that serves to identify the shareholders affected by the decision), the ex-date and the payment date, as follows: 21.07.2020 - date of registration; 20.07.2020 - ex-date; 22.07.2020 - date of payment for new shares; 03.08.2020 - payment date for the fractions resulting from the rounding to the lower whole.

Item 3

In the presence of shareholders representing 80.3394% of the share capital and 80.3394% of the total voting rights, registering 80.2732% of the votes cast and with the affirmative vote of the shareholders representing 99.9633% of the total votes cast,

Approval of the increase of the share capital with the amount of RON 1,272,498.5 by issuing 12,724,985 new shares with a nominal value of 0.1 lei / share for the benefit of the shareholders registered in the Register of Shareholders kept by the Central Depository on the registration date to be established by the GMS. The distribution of newly issued shares will be done 1 free action for every 10 shares held. The shareholders agree that the shares so acquired will be left at the disposal of the company, for a period of 12 months from the date of acquisition, in order to fulfill the stock option approved plans. Thus, the Central Depository will upload the shares directly to the Company's account, and the shareholders from the registration date will receive the nominal value - 0.1 lei per share. If in the case of a shareholder the application of the proportion of 1/10 leads to a number of shares that is not an integer, the new number of shares to be received is calculated by rounding down to the first integer. The company will compensate the shareholders for the fractions thus obtained through the Central Depository. The amount of compensation is obtained by multiplying the fraction by ten decimal places with the compensation price and then rounding to two decimal places the result of the multiplication. The compensation price was determined according to art. 176 of Reg. 5/2018 and is of 1.0155 RON. The increase of the share capital will be realized by using the following sources: the profit of 2019, in the amount of 1,272,498.5 RON

Approval of the registration date (defined as the date that serves to identify the shareholders on which the decision is violated), the ex-date and the payment date, as follows: 21.07.2020 - registration date; 20.07.2020 - ex-date; 22.07.2020 - payment date for new shares; 03.08.2020 - date of payment for the fractions resulting from the rounding to the whole inferior.

Item 6

In the presence of shareholders representing 80.3394% of the share capital and 80.3394% of the total voting rights, registering 80.3259% of the votes cast and with the affirmative vote of the shareholders representing 99.9989% of the total votes cast,

Approval of the amendment of art. 9.14 of the Articles of Association in the sense of eliminating from its content the thesis: "The value thus calculated of the authorized share capital is 24,355,406 shares or RON 2,435,540.6" and

the introduction of art. 9.14.1 with the following content: "The value of the authorized capital is 55,000,000 shares, respectively RON 5,500,000".

Significant events in the first half of 2020

EGSM | January 2020

On January 29th, 2020 Bittnet shareholders have approved the transfer to the Main Market of the BVB and establishment of the Board, consisting of three members. The shareholders have also elected the members of the Board:

- Mihai Logofătu, co-founder of Bittnet, who serves as President of the Board,
- Cristian Logofătu, co-founder of Bittnet;
- Lucian Anghel, who serves as the independent Board Member.

Capital Increase Operation | March-April 2020

On April 10th, 2020 Bittnet has successfully closed capital increase operation and has raised 9 174 711,74 lei from Bucharest Stock Exchange Investors. The operation was carried out in two steps, over the course of March and April. In the first step, which took place between March 5th and April 3rd, 2020, 5,046,928 new shares (45.69%) were subscribed at the price of 0.83 lei per share, by 189 investors, both individual and legal persons. In the second step, the Company offered for sale the remaining unsubscribed 5,999,713 shares in a private placement, at a price per share of 0.831 lei. 51 investors have participated in the private placement. The capital raised by the company will be used for investments, as specified in the company's budget for 2020, as well as working capital.

Dendrio Shop Launch | April 2020

On April 22, 2020, Dendrio, part of Bittnet Group, launched Dendrio Shop – an online platform where companies can purchase software, licenses, IT solution, and even hardware. The products and services offered in Dendrio Shop were selected particularly to meet the needs of start-ups and small and medium-sized companies from a variety of sectors, that are undergoing the process of digital transformation. Companies can thus find IT&C solutions and that can cover their needs related to increasing the productivity of the teams, ensuring cybersecurity and connectivity. Dendrio Shop is available at <https://shop.dendrio.com>.

Bittnet Investors Day - 3rd Edition | April 2020

On April 15th, 2020, Bittnet organized the third edition of Bittnet Investors Day, this year the event being exclusively organized online. During the event, the company's management has presented the results for fiscal year 2019 as well as the plans for 2020 including the transfer on the Main Market. Also, April 15th, market the 5-year anniversary since Bittnet listed on the AeRO market of the Bucharest Stock Exchange.

Registration of the capital increase at Trade Register | April 2020

On April 22nd, 2020, were registered in the Trade Register the changes of the capital increase with cash contribution and the issuance of the Certificate of Registration according to the new coordinates of the increased capital. Following, the subscribed share capital of the Company was RON 12,724,984.70.

General Shareholders Meeting | April 2020

On April 29th, 2020, was held the first General Shareholders Meeting of Bittnet Group, exclusively online. Considering the provisions of the FSA Regulation no. 5/2020 for the measures regarding the conduct of general meetings of shareholders during the existence of the state of emergency generated by COVID-19,

Bittnet implemented an electronic system so the shareholders can exercise their right to online vote, within the OGMS and EGMS from 29.04.2020, **a premiere on the local capital market.**

Availability of the 2019 Annual Report | May 2020

On May 5th, 2020 the 2019 Annual Report of Bittnet Group was made available to the public.

Publication of Bittnet study on the effects on COVID-19 outbreak on the learning and personal development processes | May 2020

On May 7th, 2020, Bittnet Training and Equatorial together with their partners published a study on the effects on COVID-19 outbreak on the learning and personal development processes in local and multinational companies based in Romania. The purpose of the study was to measure the impact of coronavirus on Romanian business environment, learn how HR departments have adapted their employee learning programs and identify skills are the most sought

after in employees at the time of pandemic and social isolation. The comprehensive research can be accessed at the following link.

Bittnet included in EBRD programme | May 2020

Bittnet was selected alongside 4 other Romanian companies to be included in the new programme of the European Bank for Reconstruction and Development, a dedicated research programme in support of the development of small and medium-sized enterprises (SMEs) in selected countries where EBRD invests. The aim of this programme is to produce free, publicly available, high-quality research reports to overcome information barriers that depress market liquidity. Making markets more transparent by increasing the amount of reliable information is regarded as key to increasing the availability of financing for SMEs. Within the program, Bittnet will benefit from quality analysis reports made by Wood & Co specialists, which will also be available to the general public.

Transfer on the Main Market of the Bucharest Stock Exchange | June 2020

On June 3rd, 2020, Bittnet (BNET) shares started trading on BVB's Regulated Market, five years after the listing on the AeRO market of the Multilateral Trading System (MTS) of the Bucharest Stock Exchange (BVB). Bittnet thus became the first IT issuer present on BVB's Main Market.

Publication of the first Universal Registration Document | July 2020

On July 17th, 2020, Romanian Financial Supervisory Authority has approved the Universal Prospectus of Bittnet (BNET), the first such document ever issued on the Romanian capital market. Bittnet prepared and submitted the Universal Prospectus for ASF's approval to simplify and speed up the process of a future public offering of securities. From now on, for any new offer of financial instruments issued by Bittnet, regardless of their type or class, the company only needs to prepare a securities note and a summary. Bittnet's intends to benefit from this solution in the next 12 months, for carrying out a capital increase as well as to run an offer for Bittnet's preferential shares.

Payment of coupons for BNET bonds | Throughout S1 2020

In S1 2020, the company paid coupons for the following bond issuances: BNET22, BNET23 and BNET23C. In the case of BNET22, BNET23, BNET23A and BNET23C issues, the company is up to date paying interest to the bondholders.

Risks Identified by the Issuer

We remind investors that investing in Bittnet shares or bonds involves certain risks, some of which are listed below.

Risks related to the Issuer's activity and to the Industry in which it carries out its activity

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 the personnel / delivery capacity

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.

In 2019 for example 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.

Perhaps the biggest risk in this regard is given by the company's shareholders, whose continued vote is needed to continue the existence of Stock Option Plans. Although the stock-option plan is built in such a way as to reward employees only and only if the shareholders earned money during the analyzed period, at the moment when the debt to the key persons is settled, messages of dissatisfaction appear from some shareholders, complaining the fact that 'employees get cheaper shares', or that 'this gives them a chance to sell in the market and make a profit'.

This approach is in our opinion the biggest risk for society, in the field of human resources. If we can no longer continue to use methods of attraction and retention based on what makes us special - listing on the stock exchange, and the mechanisms for dividing the value thus generated, the only alternative will be to enter a global struggle for human resources, having nothing to offer but money. We believe that this scenario is a very unfortunate one, which will strongly affect the company's profitability, but unfortunately we estimate that it has a much higher probability of materializing, taking into account recent discussions but also the fact that, as the number of shareholders increases (now we have over 1400 shareholders), it is much more difficult to obtain the legal quorum of 85% necessary for the implementation of the SOPs in the current legislation.

Legislative / regulatory risk

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.

Considering that the legislation leaves more and more to the assessment of the fiscal body the interpretation of the application of the fiscal norms, corroborated with the lack of funds to the state budget and the attempt by any means to bring these funds, we consider this risk a major one for the company. It cannot be addressed in any way in a preventive way in a real and constructive way.

Risk of business commoditization – loss of technological relevance of solutions

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.

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.

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.

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.

Also, the company closely monitors the "soft-collection" processes, and decides, relatively quickly, to switch to hard-collection procedures, which has brought us historical success in recovering debts.

The automated information systems alert both the sales team and the managers on the customers with arrears, who are 'watched' by the sales team for 1 month, so that we prioritize maintaining a good business relationship. Instead, after 1 month of unsuccessful efforts, a lawyer with experience (and positive track record) in debt recovery is involved.

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 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.

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.

Risks associated with the listing of the Company on the capital market

Future price per share and transaction liquidity

The price of shares and the liquidity of the transactions for the companies listed depends on the number and size of the purchase and sale orders placed by the investors. There can be no guarantee on the future price of the company's shares and no guarantee on their liquidity given the lack of a market-maker. The issuer has identified a high degree of volatility in the listing of BNET shares in the past. It is not possible to guarantee that an investor who buys the shares will be able to sell them at any time at a satisfactory price. Even so, the Company's shares were intensively traded on the AeRO-SMT market, in 2019, the BNET shares being on the 17th place in the top of the most liquid shares from BVB.

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.

Trading on the Bucharest Stock Exchange may be suspended

The Financial Supervisory Authority ("FSA") is authorized to suspend the 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 trading would adversely affect the interests of investors, based on measures taken against market manipulation and insider dealing. The Bucharest Stock Exchange must suspend trading unless such an action could adversely affect the interests of investors or the proper functioning of the market. If the Bucharest Stock Exchange does not undertake such actions, ASF may request the suspension of securities trading, if this serves the proper functioning of the market and does not affect the interests of investors. Also, the Bucharest Stock Exchange has the right to suspend from trading the Shares or Bonds in other circumstances, in accordance with its regulations. Any suspension could affect the trading price of the Shares or Bonds and affect their transfer.