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<b>Quarterly Report According to</b>	<b>Annex no. 13 from ASF Regulation nr. 5/2018</b>
<b>For Financial Period</b>	<b>01.07.2020 - 30.09.2020</b>
<b>Report date</b>	<b>13 November 2020</b>
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<b>Unique Registration Code</b>	<b>21181848</b>
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<b>Market on which the securities are traded</b>	<b>Regulated Market of the Bucharest Stock Exchange</b>
<b>Subscribed and paid-up share capital</b>	<b>21.632.474 lei</b>
<b>Main characteristics of the securities</b>	<b>216.324.740 shares with a nominal value of 0.10 lei per share</b>
<b>Symbol</b>	<b>BNET - shares BNET22, BNET23, BNET23A, BNET23C - bonds</b>
<b>ISIN Code</b>	<b>ROBNETACNOR1</b>
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<b>Letter from CEO .....</b>	<b>3</b>
<b>Presentation of the operational activity .....</b>	<b>10</b>
<b>Technology Division .....</b>	<b>10</b>
<b>Education Division .....</b>	<b>11</b>
<b>Key elements of financial statements .....</b>	<b>13</b>
<b>Financial results Education Division.....</b>	<b>13</b>
<b>Financial results Technology Division.....</b>	<b>14</b>
<b>Financial result of the Group .....</b>	<b>14</b>
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....</b>	<b>15</b>
<b>Key events in Q3 2020.....</b>	<b>19</b>
<b>Investor Relations Contact .....</b>	<b>21</b>
<b>Financial situations .....</b>	<b>22</b>

## Letter from CEO

Today we present, for the first time, the results for the 9-month period ended on September 30. We are happy to showcase our shareholders a solid performance recorded in this volatile environment: a consolidated turnover of RON 75.8 million, which represents an increase of over 36% compared to the same period of last year, well above the pace of the IT industry in Romania or other companies from the BET-XT index.

The operating profit for the period is RON 1.8 million, RON 7.3 million higher than in the same period of last year. The Education Division of our Group registered operating result improved by RON 600K compared to the same period of 2019, going from an operational loss of approximately RON 300K to an operating profit of RON 300K, while the operating result of the Technology Division increased by 6.7 million RON, from operating loss of RON 5.2 million to RON 1.5 million operating profit.

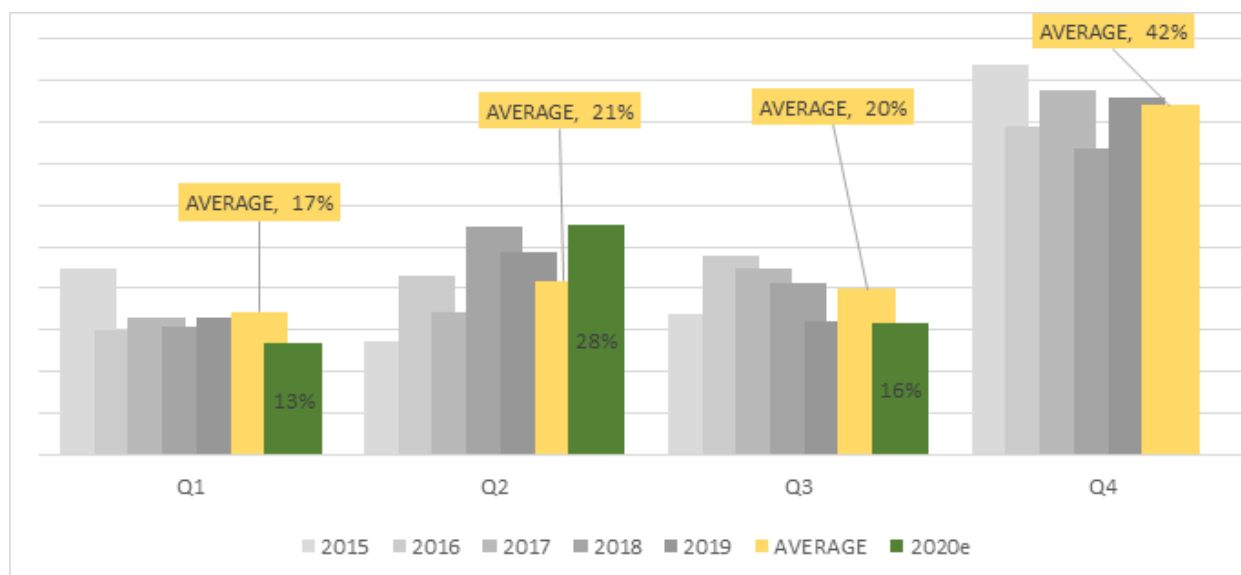
This positive evolution of the financial results is due to the increase by RON 7.7 million of the gross margin, an increase that is divided into RON 900K growth for the Education Division and RON 6.9 million growth for the Technology Division, amid the RON 665K reduction of fixed expenses and of the increase by RON 1.3 million of the sales costs.

Historically, given the seasonality of budgets and spending patterns in the IT&C sector in Romania and globally, Bittnet's most significant results have always been recorded in the last months of the year, more precisely in Q4 of each year. We would like to mention this because until now, being listed on AeRO, we have only published the half yearly results and the investors did not have a chance to understand entirely how our performance differs from one quarter to another.

As a guideline, historically, the results for the first nine months represented approximately 60% of the turnover for the year, while Q4 contributed approximately 40% to the total revenue. This is due to the specifics of our client: large, very large and even giant companies, which operate with annual budgets.

Below we provide a graphic that captures the historical quarterly evolution of turnover. The same trend highlighted in the period 2015-2019 was observed also in 2007-2014.

Benefitting from the opportunity, we would like to mention that in Q3 our group recorded a turnover similar in size to the individual turnovers of Bittnet and Dendrio in 2017, and even higher than the amount of 2016 and 2015 combined.



Over the years, along with many other global investors and managers, we have expressed our concern and questioned whether the quarterly results really bring value to investors. Our view is that quarterly reports risk shifting the focus of both management and shareholders from long-term vision to short-term vision and achieving quarterly goals.

We hope that all our stakeholders will understand that for a fast-growing company like Bittnet, quarterly reports can come with new information but, at the same time, they could actually bring more "noise" than "signal".

The rest of the analyzes and presentations, starting with this report, will be built by analyzing as much as possible 12-month periods, trailing 12 months - on the principle of the moving average - to give a better measure of the direction in which the company is headed, but also of how it should be analyzed by shareholders.

**Under this model, of analysing periods of at least 12 months, we can see that in the last 12 months we have already reached the proposed 2020 indicators. Thus, we enter the Q4 with the idea that, if we record only the same quarterly results as in 2019 (without any increase), we will end 2020 in line with the budget approved in the GMS in April. Yet, as in all previous years, "the match is played until the 90th minute".**

#### About stock market evolution

In the first 9 months of the year, Bittnet shareholders gained almost 9%, a yield with 16pp above the market average represented by the BET-XT-TR index, which fell by 7.55% even though it includes dividends. This trend is well known and visible globally, showing why it is relevant to invest in technology companies. The shareholders who invested in the capital increase in Q1 registered a profit of 29% as of September 30, without taking into consideration the cash distribution related to the EGMS Decision 2020 no. 3.



As in all previous reports, we mention that the price evolution is very well supported by the increased liquidity of BNET shares. As a result, just 3 months after the promotion to the Main Market of BVB, BNET shares were included in several indices, including BET-XT, of 25 most representative companies based on their liquidity. In the first 9 months of the year, 21,036 transactions were registered (out of which 10,669 after the transfer to the Main Market). The total traded volume was of 46,020,723 BNET shares, which represents 21% of the total number of shares (including the number of shares after capital increases with free contributions and shares) and the total traded value was RON 44,231,834.51.

One of the advantages of the inclusion in the BET-XT index can bring is the diversification of the shareholder base. If at the general meeting in April we had 1,413 shareholders, on September 30 their number had increased to 2,200, among which 8 investment / pension funds.

#### The context in which we evolve

It has been more than 6 months since we are acting in a totally different market from the one we knew and for which we had prepared at the beginning of 2020; what the specialists call as the Low Touch Economy. The Low Touch Economy refers to how companies around the world have been forced to operate to succeed as a result of Covid-19. The best way to define its meaning is to list its main features so far. To mitigate health risks, companies have been forced to adapt to strict policies, including weaker interactions, limited meetings, travel restrictions, and so on. More reactions in global markets can already be seen. These include changes in consumer behavior, new regulations and supply chain disruptions.

Medical experts and business leaders assume that Covid-19 will directly influence the economy at least until the end of 2021.

More and more market studies, conducted in recent months on the impact of Covid-19 on the Romanian business environment, have shown that a percentage of over 50% of companies are either severely impacted (entire sectors partially or even completely disrupting economic activity) or

estimates revenue declines in 2020 with percentage values between 10 and 20% compared to 2019. At the same time, over 1 million people have lost their jobs mainly in the sectors most affected by the imposition of measures to reduce the spread of the virus.

An analysis published by a known Romanian financial daily shows that although the Romanian IT industry had a positive (expected) evolution compared to the rest of the economy - registering a growth of 12% compared to the previous year - our Group continued to grow much above this pace, at approx. 40%.

The companies that will survive the Covid-19 pandemic will be those that rely on business models adapted to this new normal, while keeping everyone in the safest possible conditions.

Like for all the companies, also for us it was a period full of intensified efforts and adaptation to the new reality of work. We migrated most of the activities in the online space (live virtual environment), since the first days of March, continuing to deliver the training sessions to clients in Romania and across the border. At the same time, for the technology division the activities that could not be delivered through digital channels were delivered taking into account all the protection measures recommended by the authorities.

Thus, in T3 we kept all our promises to customers and there were no delays in deliver. Most importantly however, we managed to protect the health of our team members. To date, no member of our team has contacted Covid-19.

We would like to thank all our colleagues again for their efforts, for the mobilization they have shown, and without whom we wouldn't be able to present these impressive results. And to all our shareholders, yet again I would like to underline the importance of the Stock Option Plan for motivating and rewarding our teams to deliver continuously improving results quarter by quarter, year by year. By now, a significant part of our colleagues, extraordinary professionals, are part of the program. In this context, **we consider it important to continue using this tool, because, in an extremely competitive labor market, SOP represents not only a chance to align interests, but also an instrument for employee retention.**

#### Group development

Over the last 6 months, several strategic projects of the group emerged, benefiting from the global context of the Covid-19 pandemic that accelerated or, for some, even initiated the process of digital transformation.

We refer here not only to companies, a category covered by the technology division, but also to people who, in the context of a potential financial crisis, are looking for better career prospects. These needs are addressed by two of our recently launched projects: DevOps Artisan and CTRL+N. You can read more about these projects in the next chapter, which shows the evolution of the two divisions in Q3 2020.

We believe that, in our case, the Covid-19 pandemic offers more of an opportunity than a threat, as this is our time and chance to emerge victorious from this turbulent period. In this context, we look closely at opportunities to grow our business - either through innovative projects developed by our teams, such as CTRL+N, or through M&A projects.

You can read more about our current M&A plans in the next section. However, we would like to emphasize that at the moment, we are working on a concrete expansion strategy to achieve our goal

of representative player at the CEE level, a strategy that we will present to our shareholders in early 2021. According to a report “Digital Challengers” of McKinsey&Company released in October 2020, in the first five months of the Covid-19 pandemic, the digital economy in Central and Eastern Europe has grown almost twice as fast as in the last two years. Given the market context and the opportunities offered by the acceleration of the digital economy in the region, we maintain this strategy and look forward to announcing the first international transactions in the near future.

### About M&A

We stated in the course of 2020 that we will resume M&A activities and there can be no better time to accelerate the group's expansion than now.

In this regard, in recent months we have attracted a team of M&A consultants and developed a framework to identify and attract local companies that share our principles and culture of doing business, and that envision the future of industry development in a manner similar to ours.

The first concrete results are already visible, so that, for the General Meeting of Shareholders on November 26, we have put forward for vote the first investment projects that we aim for this year:

- The almost complete acquisition of **Equatorial Gaming** shares that we do not currently own so as to reach a proportion of 99% of the company, in order to fully integrate operations in the area of Bittnet Training, knowing already that the model is correct and that the team shares our values; Read more [HERE](#).
- Entering the shareholding of the educational services company “**The eLearning Company**” - which will instantly expand the product portfolio with trainings in eLearning format but also that of clients, to whom we can propose more complex solutions, based on the UXI platform and our “core” trainings; Read more [HERE](#).
- Entering the shareholding of the company “**Softbinator**” - a Romanian software development company that has had in recent years an annualized growth even higher than that of Bittnet. This important area of the IT&C service landscape has so far been missing from our portfolio, and we believe we have a good chance to get this journey off to a good start; Read more [HERE](#).
- Investment in the company **IT Prepared**, which develops an “uber-alike platform for IT support”. Read more [HERE](#).

These projects fall within our strategy on M&A: “bolt-on” acquisitions that help consolidate the Group's activity in the field of Education (Equatorial and The eLearning Company) but also of Technology (Softbinator and IT Prepared), thus contributing to the development of the portfolio at a time when the need for digital skills is growing for organizations that want to survive in the medium term.

International studies show an increase in the demand for soft skills courses for IT specialists and especially for team IT leaders. Equatorial experience in terms of content and design capabilities creates opportunity to complete the offer that Bittnet Training, the leader in the IT training market, can make to traditional customers.

We will reposition Equatorial as a provider of “soft skills” for the Romanian IT industry. At the moment, this brand space is not occupied and we will be able to generate additional income that until

now have not been accessed neither by Bittnet Training because we did not have a product, nor by Equatorial because we did not have access to this market.

The investment will be complemented very well with The eLearning Company products: the electronic softskills courses, as well as the 'library' type consumer platform and micro-learning modules, which, in turn, will complement very well with the UXI platform.

Moving our attention to the Technology Division, especially to the investment in Softbinator, about which the local press wrote that it could be the transaction of the year in Romanian IT, it completes our portfolio of products and services in an area that does not exist at all within the group.

Most digital transformation projects involve a mix of technologies, products and powered by cloud, so in the new formula, the ability to deliver more complex projects for our customers increases exponentially. Softbinator Technologies has experience in attracting international clients, Bittnet has an impressive list of local clients and the two companies can mix the two expertise to expand a common portfolio of clients. Bittnet Group delivers infrastructure and integration solutions, Softbinator can complement with custom development solutions over integration. An efficient mix of integration and development can be created, through this synergy given by the complete delivery of services. Softbinator Technologies already had a fruitful collaboration with Bittnet Training, delivering custom trainings together in the last 2 years, on topics of great interest such as DevOps and Agile.

The investment in IT Prepared or the acquisition of their 'uber-alike platform for IT support' would allow Dendrio to 'steal the start' in offering this type of services to the group's clients, on a much larger scale than ever before.

This expansion and entry into the shareholding of several IT companies is part of our growth strategy, which we have already tested and refined in recent years. Along with an organic growth of 40-50% per year, the continuous expansion of the portfolio of products, services and customers can be done very well through M&A processes.

According to the principles of efficient capital allocation, we negotiated with each of the companies in which we will enter the option to pay as much as possible for their shares with Bittnet shares, through an equity swap.

As long as the valuation of our company will be made at multiples higher than those at which the investments are made, the payment of purchases with BNET shares will automatically generate the increase of the value of our company.

After the end of the third quarter, but before sending this letter, the first analysis report was published by analysts from Wood&Co - one of the most prestigious investment banks focusing on the CEE area. Wood analysts recommend BUY for Bittnet shares, given a target price of RON 0.973, which represents at the time of publication of the Wood&Co report a potential increase in the share price of +49.6% - about RON 1. The most important aspect highlighted by this analysis report is the confirmation of the models adopted by Bittnet's management, the alignment with global trends and the attention paid to the evolution in the medium and long term, as appropriate for capital market investments.

The full report is available [HERE](#). However, we mention that this target price as well as the purchase recommendation is based on a financial model in which an average growth of only 20% per year of our business was assumed, which represents a rate well below that recorded so far, of  $\pm 70\%$  annual!



#### What's next in 2020 for Bittnet shareholders

For Q4, our shareholders should expect 3 main events. The first would be the approval by ASF of the documentation for carrying out a capital increase with new contributions and trading the preferential rights. As in the case of the operation carried out in Q1, the investors who participate in the increase will have a yield of 20%, according to the formula approved by the GMS from April 2020. Shareholders who invested in the similar operation in Q1 2020 recorded a return of 29% on September 30, and over 50% at the date of publication of this report.

On November 26, 2020, our company will hold a new General Meeting of Shareholders, also online, as it happened in April 2020. In addition to the organizational and M&A topics described above, a second area of special interest is the inclusion in the Articles of Association of the possibility for the company to issue preference shares, and the approval of a public offer of such shares.

Preference shares are hybrid instruments that bring multiple benefits to all actors involved: for the company and existing shareholders we will be able to strengthen the financial situation - attracting through this offer RON 30 million, an amount that would allow us to repay the entire value of the bond issues we have at the current moment (BNET22, BNET23, BNET23A, BNET23C).

This would lead, on one hand, to the total elimination of indebtedness, and to the elimination of the cost of interest, allowing us to publish financial statements that better reflect the profitability of the current activity. Instead, cash that was previously used to pay interest could be used to pay dividends to holders of preferred shares.

Thus, our company will have approximately the same financial situation (dividend payments would be slightly lower than current interest payments), instead, net profitability would be significantly improved, which could have a positive effect on the price of BNET shares.

Last but not least, within this general assembly, the procedure for implementing the EGMS Decision no. 3 of April 2020 will be approved. This ratification is essential for the ASF to be able to issue a new certificate of registration of securities, and the shareholders who have opted for the distribution of a new free share, to be able to receive it. We therefore invite you to participate in large numbers in the online voting process, which will take place over several days, and which will require an allocation of less than 10 minutes, to ratify this procedure.

The full convening notice, as well as the supporting documents for the GMS, as well as the details about the online connection for the General Assembly, are available at this address:

<https://investors.bittnet.ro/ro/intalniri-ale-actionarilor/aga-26-noiembrie-2020/>

As always, we are at your disposal for questions, at [investors@bittnet.ro](mailto:investors@bittnet.ro).

Mihai Logofătu,  
Founder & CEO Bittnet Group

## Presentation of the operational activity

### Technology Division

In the course of Q3, the Technology Division is part of a well-known seasonality, with a slower evolution of the delivered volumes, as a result of the summer period. As a specific of 2020, we notice an overlap of holidays with the relaxation period following the restrictions imposed by the health crisis. As a result, we observed a slightly longer period of reduction of activity in the business environment. However, both Dendrio and Elian continued to sign new contracts and attracted new customers throughout this quarter, allowing us to maintain sustained growth on all financial indicators for the first 9 months of the year.

#### Dendrio

In Q3 we continued to develop the strategic directions in which we have been involved since 2019 and even in previous years:

1. Development of integration projects with added value for our clients
  - Several data infrastructure projects with national coverage were continued and extended, the Dendrio teams ensuring the quality level of delivery even in the context of a prolonged health crisis;
  - The number and size of projects delivered in the Banking Financial segment has increased - including the development of Data Center infrastructures or the delivery of specialized services in the field of digital transformation - projects included in the Business Continuity and Modern Workplace initiatives;
  - Based on the partnership with players from the telecommunications services market, we managed to deliver an extensive number of integration projects in this segment. Also, although they were not completed in Q3, the foundations were laid for technological projects that will generate a long-term impact.
2. Constant increase in the volume of services delivered
  - One of the main objectives of the Dendrio team was the constant increase of the services attached to the integration projects - leading to a consistent increase (over 78%) of the services delivered at the level of the technology division;
  - We continued the delivery of technical support projects at national and even regional level (currently having services delivered in 7 countries in the European area and negotiations carried out in the CIS area);
  - This increase in the volume of services delivered was achieved in the conditions of significant increase in the degree of load at the level of the technical team. We will continue a moderate policy regarding increasing the size of technical teams (we prefer to increase efficiency and reward increased performance - including through bonus programs such as Employee Stock Option Plan). However, keeping this indicator high encourages us to accelerate the process of attracting and forming new human capital

within Dendrio - thus preparing us for a period of stabilization/growth in the local economy in 2021.

3. Scalability and performance = cloud

- The business in the area of cloud solutions is by definition a business that produces incremental, long-term growth - which can be seen in the results recorded by Dendrio at the level of the first 9 months of 2020;
- We expect this trend to continue and even accelerate in the next period, especially since we believe that Romania is only at the beginning of the adoption cycle (at scale) of the "as a Service" model.

4. Development of the Small and Medium companies' segment

- We launched, together with the Education Division of the group, a digitalization program addressed to small and medium companies;
- This segment - extremely exposed to current economic conditions - will attract significant financial resources through European funding programs, and a scalable approach, based on digital tools and processes can lead to the development of an extremely important growth engine for Bittnet Group in the coming years.

## Eliau

T3 for Eliau Solutions meant the development of teams by departments in the following directions:

1. Programming / Development: the team has grown with two new senior resources.
2. Consulting: the team has grown with two new resources: one senior and one junior.
3. Sales: the team has expanded with a new resource.

From the project point of view, the third quarter marked the completion of a new retail implementation, being the Chopstix project that started in the spring of the previous year. The project covered the entire Chopstix business, with implementation taking place in parallel in all departments.

T3 also meant the signing of 3 new projects and implicitly bringing in the portfolio of three large clients: ELBI Electric & Lighting, Eurosport DHS and Ivatherm.

## Education Division

As traditionally happens every year, in Q3 the number of implementations has decreased. On one hand due to the holiday period which was unexpectedly lightly affected by the health crisis (in the spring we estimated that there will not be too much appetite for the holidays) and on the other hand due to the caution of our customers regarding spending budgets.

Thus, during this less intense period, we had time to focus on completing projects that would contribute to the growth of the Education Division in Q4 and 2021.

## Bittnet Training

### 1. The DevOps Artisan Project

- we have signed with global supplier PearsonVue a contract for an initial period of 3 years for production and distribution certification exams. Starting with December 2020, 3 of the Associate level exams will be available for programming on the official PearsonVue website both in accredited physical testing centers and in the online proctoring system.
- we have started negotiations on the distribution of DevOps Artisan courses and exams with 7 training centers from the Leading Learning Partner Association and we estimate that in Q1 2021 the classes in the global DevOps Artisan schedule will include participants from new countries that have joined as partners.

### 2. CTRL+N Project

- we recently announced the launch date for this project for December 2020 as well as announced our mission that in 5 years, this project will support the development of over 25,000 professionals in the Romanian IT market.
- the project is designed to be scalable through asynchronous delivery and will be accessible in an on-demand format, will provide Q&A support and virtual or live meetings, connecting participants with instructors.
- the price of the program will be extremely affordable and through the system of scholarships sponsored by the program partners we aim to support participants who have appropriate skills, desire for development and seriousness but who cannot afford it.

### 3. Microsoft Campaign

- in July 2020, Microsoft's fiscal year 2020-2021 began, the largest vendor by number of students in the Bittnet training portfolio.
- with the new fiscal year, a new campaign to promote skills in the area of cloud skilling began.
- we estimate an increase in revenue in the new campaign since a number of large customers are already engaged in the campaign.

### 4. The CompTIA project

- we have increased the portfolio of vendors by adding this important global vendor in the area of Cybersecurity.
- we have added 5 new courses in the Bittnet portfolio: CompTIA A+, Network+, Security+, Linux+ and CySA, making this certification area accessible to our participants.

## Equatorial

1. Virtual Live Courses (digital learning):

- we continued the development of content for virtual classes adding 6 new themes for managerial skills of relational communication.
- these new programs are to be used both in the projects already won and in the tenders in which we participate.

2. VRUNNERS (digital learning):

- we launched the 3rd project on learning through play that provided the architecture of continuous learning of a leadership development program for 4 automotive factories.
- we created the concept and structure of a stakeholders 'management program for a digital company in the video game industry, a project that will be implemented in Q4 and will enroll participants from Romania, USA and Mexico.

Given the intention to integrate Equatorial in the offer of the Education division of Bittnet Group, we have outlined the strategy for positioning Equatorial as an education partner specialized in the development of soft skills for technology professionals. At the end of September, we started a process of qualitative research through interviews defining Buyer Persona. We will continue, in Q4, with the steps of positioning and creating specific products for this segment, estimating that the new offer 100% dedicated to IT organizations will be available and ready for sale in Q1 2021.

## Key elements of financial statements

### Financial results Education Division

From a financial point of view, the evolution of the Education Division in 9 months 2020 compared to 2019 shows an increase of RON 900K of the gross margin generated during the period, due to the better load obtained on human resources (higher number of students in the class, lower number of trainers needed to deliver the same value to students). Thus, the operational profit of the period is with RON 600K higher than last year in the similar period.

	30/Sep/20	30/Sep/19	Evolution
<b>Revenues from contracts with clients</b>	<b><u>7,422,150</u></b>	<b><u>7,416,337</u></b>	
Revenues from services	7,422,150	7,416,337	
<b>Cost of goods sold</b>	<b><u>(3,205,185)</u></b>	<b><u>(4,083,824)</u></b>	-21.52%
Merchandise	(727,404)	( 628,889)	15.66%
Man-Hours	(2,477,781)	(3,454,935)	-28.28%
<b>Gross margin</b>	<b>4,216,965</b>	<b>3,332,513</b>	26.54%
<b>Other incomes</b>	<b>302,693</b>	<b>637,012</b>	-52.48%
<b>Sales / distribution expenses</b>	<b><u>(2,112,517)</u></b>	<b><u>(1,418,682)</u></b>	48.91%
Team expenses	( 1,777,191)	( 1,149,707)	54.58%
Advertising	( 335,326)	( 268,975)	24.67%
<b>Administrative costs</b>	<b><u>(2,107,858)</u></b>	<b><u>(2,562,536)</u></b>	-17.74%
Staff expenditure	( 909,562)	( 758,222)	19.96%
Depreciation (and Rent)	( 530,784)	( 662,222)	-19.85%
<b>Operational profit</b>	<b>299,283</b>	<b>(300,993)</b>	

## Financial results Technology Division

From a financial point of view, the evolution of the Technology Division in 9 months 2020 compared to 2019 shows a 42% increase in sales, much faster in the case of higher value-added services (78%), which generated a higher gross margin, more than triple - almost with RON 7 million more than in the first nine months of 2019. Taking into account the reduction of fixed costs and the increase (as percentage) of variable expenses much smaller than the gross margin, the operating result of the Technology Division is a profit of almost RON 1,5 million, increasing by RON 6.7 million compared to the same period last year.

	30/Sep/20	30/Sep/19	Evolution
<b>Revenues from contracts with clients</b>	<b><u>68.357,028</u></b>	<b><u>48.154,782</u></b>	41.95%
<b>Revenues from services</b>	13,445,828	7,524,848	78.69%
<b>Sale of goods</b>	54,911,200	40,629,934	35.15%
<b>Cost of sales</b>	<b><u>(58.608,338)</u></b>	<b><u>(45.282,729)</u></b>	29.43%
<b>Merchandise</b>	(48,308,963)	(36,732,069)	31.52%
<b>Cloud Services</b>	(3,650,522)	(1,437,522)	153.95%
<b>Hours-Man</b>	(6,648,853)	( 7,113,139)	-6.53%
<b>Gross Margin</b>	<b>9,748,691</b>	<b>2,872,053</b>	239.43%
<b>Other incomes</b>	<b>119,786</b>	<b>(147,532)</b>	
<b>Sales / distribution expenses</b>	<b><u>(3,925,394)</u></b>	<b><u>(3,306,826)</u></b>	18.71%
<b>Team expenses</b>	(3,567,314)	( 3,028,819)	17.78%
<b>Advertising</b>	(358,079)	( 278,007)	28.80%
<b>Administrative costs</b>	<b><u>(4,460,704)</u></b>	<b><u>(4,671,406)</u></b>	-4.51%
<b>Staff expenditure</b>	(2,539,292)	( 2,567,403)	-1.09%
<b>Depreciation (and Rent)</b>	(950,704)	( 851,591)	11.64%
<b>Operational Profit</b>	<b>1,482,379</b>	<b>(5,253,711)</b>	

Increasing spending on goods is natural in the context of increasing turnover.

The increase in sales expenses has two components:

- allocating larger marketing budgets - which is due both to the context of the pandemic, but also to the fact that we will slowly change the method of addressing customers, becoming more marketing-oriented versus 'classical sales',
- the increase of the expenses with the sales bonuses, natural taking into account the increase of the additional gross margin generated by the sales team.

## Financial result of the Group

In addition to the two business lines, the company also records activities to coordinate the group of companies, to ensure financing through stock exchange mechanisms, and certain expenses estimated according to IFRS standards, expenses that we explained in previous reports that are not cash, and which we consider should not be found in the situation of the global result. Thus, out of the RON 3 million expenses related to the group activity, RON 1.25 million come from the estimation of the value of the Stock Option Plan, without taking into account that the company's obligations will be settled

either by capital increase or by an operation that will register an increase in the company's capital (a "sale of shares with a profit for the company"). To this is added the assumption that the "Bittnet" brand will have a value of 0 in 15 years.

	30/Sep/20	30/Sep/19
<b>Other incomes</b>	-	<b>34,165</b>
<b>Administrative costs</b>	<b><u>(1,546,023)</u></b>	<b><u>(986,159)</u></b>
<b>Stock Option Plan</b>	(1,256,723)	(696,859)
<b>Brand Depreciation</b>	(289,300)	(289,300)
<b>EBIT</b>	<b>(1,546,023)</b>	<b>(662,694)</b>
<b>Financial Result</b>	<b>(1,449,984)</b>	<b>(716,382)</b>
<b>Group Activities</b>	<b>(302,316)</b>	<b>15,725</b>
<b>Gross Profit</b>	<b>(3,298,323)</b>	<b>(1,363,351)</b>

Instead, the amount of financial expenses of RON 1.5 million related to the group activity represents expenses that were not reallocated to the business segments. In other words, compared to the current financing needs of the business in the first 9 months of 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 million, and a budgeted profit of RON 2.7 million, we consider that it becomes an interesting alternative to make an offer of preferential shares, to offer a priority dividend of approximately RON 3 million, with which to replace the financing by bonds.

Such an approach would allow all actors to take advantage: investors who are willing to take Bittnet's credit risk would have essentially the same degree of seniority in the case of preferred shares versus unsecured bonds, but would keep a larger share of the amounts distributed, because the dividend tax is 5%, versus 10% on interest. Additionally, 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.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Fixed assets increased at group level by registering the final value of goodwill from the transaction with Crescendo (RON +5.4 million), and due to the increase of intellectual property rights with the reception of various IT platforms of the group (UXI, CRM, ERP , etc). Tangible fixed assets decrease naturally by depreciation. We reiterate that over 4 million of the 5.8 registered as tangible assets are due to the application of IFRS16 regarding the rented office space (their value decreases monthly, also according to the depreciation principle).

	30/Sep/20	30/Sep/19	Evolution
<b>Goodwill</b>	17,701,643	12,251,643	44%
<b>Other intangible assets</b>	6,129,604	5,593,151	10%
<b>Tangible fixed assets</b>	5,812,843	7,117,220	-18%
<b>Equivalent titles</b>	1,754,160	1,246,053	41%
<b>Total fixed assets</b>	<b>33,451,531</b>	<b>28,498,764</b>	17%
<b>Inventories</b>	988,021	3,933,187	-75%
<b>Trade receivables and other receivables</b>	23,964,323	16,341,555	47%
<b>Cash and cash equivalents</b>	22,806,469	11,583,562	97%
<b>Total current assets</b>	<b>47,758,813</b>	<b>31,858,304</b>	50%
<b>Total assets</b>	<b>81,210,343</b>	<b>60,357,068</b>	35%

The positive evolution of stocks (the fact that we have smaller stocks is a positive evolution) is a consequence of operational flows and the increase in cash comes from the financing activity, the company carrying out a capital increase in Q1 2020.

The positive evolution of receivables slightly faster than turnover is offset by the positive evolution with a slightly higher amount of trade payables, respecting the group's principle of being as cash-neutral as possible compared to operational activity. This principle is easily observed from the relative equality between trade receivables and payables.

	30/Sep/20	30/Sep/19	Evolution
<b>Bank loans</b>	5,965,699	8,088,482	-26.24%
<b>Leasing debts</b>	1,459,215	1,554,784	-6.15%
<b>Trade and other payables</b>	22,371,734	11,050,704	102.45%
<b>Total short-term debt</b>	<b>29,839,195</b>	<b>20,703,596</b>	<b>44.13%</b>

We would like to mention that we have reproduced in this chapter only the values that register evolutions that are worth analyzing.



## CONSOLIDATED STATEMENT OF CASH FLOWS

	For a 9 months period	
	30 sept 2020	30 sept 2019
<b>Gross profit</b>	<b>(3,318,399)</b>	<b>(8,785,615)</b>
Adjustments for:		
Benefits granted to SOP employees	1,256,723	696,859
Earnings from titles put in equivalence	302,316	(15,725)
<b>Operation profit before working capital variation</b>	<b>3,175,324</b>	<b>(3,770,903)</b>
Variation of receivables account balances	7,519,791	6,427,774
Variation in stock account balances	1,009,268	(3,315,127)
Variation in debt account balances	(7,527,589)	(819,585)
<b>Cash generated from operation</b>	<b>4,176,793</b>	<b>(1,477,841)</b>
Profit tax paid	(301,605)	(594,075)
<b>Net cash from operating activities</b>	<b>3,875,188</b>	<b>(2,071,916)</b>
<b>Investment activities:</b>		
Payments for the acquisition of subsidiaries, +/- purchased cash	-	(709,920)
Goodwill acquisitions	(4,231,513)	-
Acquisitions of tangible and intangible assets	(930,673)	(620,694)
Interest received	83,460	183,271
<b>Net cash from investment activities</b>	<b>(5,078,726)</b>	<b>(1,147,343)</b>
<b>Financing activities:</b>		
Proceeds from the issue of shares	8,853,597	-
Acquisitions of own shares	(951,360)	-
Repayments of bank loans	(1,059,142)	(605,965)
<b>Net cash from financing activities</b>	<b>3,185,889</b>	<b>1,754,939</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,982,351</b>	<b>(1,464,320)</b>
Cash and cash equivalents at the beginning of the financial year	20,824,117	13,047,882
<b>Cash and cash equivalents at the end of the financial year</b>	<b>22,806,469</b>	<b>11,583,562</b>

## An annual outlook on financial results

Although we received requests from shareholders to publish the quarterly results and highlight the activity within the quarter, we consider that it is not a relevant presentation considering the specifics of the company. Shareholders who want this information can easily obtain it by subtracting the figures from S1 from the figures presented in this report. They will discover a 30% increase compared to Q3 2019, both in terms of turnover and gross margin, and an improvement of RON 1 million in operating profit.

Instead, we consider the presentation of the results in the 'last 12 months' format to be much more relevant, especially given the seasonality of the business focused on Q4, as we showed in the letter. If we analyze the activity of the group at a consolidated level for the last 12 months, the image is very favorable:

12 months between October 1, 2019 and September 30, 2020	
<b>Revenues from contracts with customers</b>	<b><u>119,957,888</u></b>
<b>Revenues from services</b>	33,047,529
<b>Sale of goods</b>	86,910,358
<b>Cost of sales</b>	<b><u>(94,642,399)</u></b>
<b>Merchandise</b>	(77,194,055)
<b>Cloud Services</b>	(4,076,093)
<b>Hours-Man</b>	(13,372,250)
<b>Gross Margin</b>	<b>25,315,489</b>
<b>Other incomes</b>	<b>556,568</b>
<b>Sales/distribution expences</b>	<b><u>(7,731,664)</u></b>
<b>Team expences</b>	(6,634,826)
<b>Advertising</b>	(1,096,838)
<b>Administrative costs</b>	<b><u>(11,850,788)</u></b>
<b>Staff expenditures</b>	(6,841,210)
<b>Depreciation (and Rent)</b>	(2,256,145)
<b>Operational Profit</b>	<b>6,289,605</b>
<b>Financial Result</b>	<b><u>(3,473,015)</u></b>
<b>Group Activities</b>	<b><u>(311,630)</u></b>
<b>Gross Profit</b>	<b>2,504,960</b>

This presentation sends us the message that, if we do not see any increase in Q4 2020 versus Q4 2019, we will still reach the budget targets approved by the GMS in April 2020. Of course, there is a probability that Q4 2020 will be affected by political decisions related to the Covid-19 pandemic. There is a current of opinion that suspects a new lockdown period, which can have a negative effect on delivery possibilities, but also on customer confidence in the economy. This risk is beyond the company's control, but even if it materializes, we do not believe it will change the company's medium- and long-term outlook.

## Indicators according to Annex 13 Reg. ASF 5/2018

Indicator (formula)	30.09.2020	30.09.2019
<b>Current liquidity indicator</b> (Current assets / Current liabilities)	1,6	1,54
<b>Debt indicator</b> (Net TL debts / Equity)*	0,55	2,93
<b>Rotation speed of customer flows</b> (Average customer balance / turnover) x 270 days	100	95
<b>Rotation rate of fixed assets</b> (Turnover / Fixed Assets)	2,26	1,95

\*The only element whose evolution is worthy of mentioning in this table is the decrease of the degree of indebtedness, even in the conditions in which, according to IFRS16, the rent of the working point appears as Long-Term Debt.

## Key events in Q3 2020

### Publication of Universal Registration Document | July 2020

On July 15, 2020, the Financial Supervisory Authority approved Bittnet's Universal Registration Document by Decision no. 867. The company has prepared and submitted the Universal Document for approval in order to simplify and accelerate the processes of future public offerings of securities. After receiving ASF approval, for any new offer of financial instruments issued by Bittnet, regardless of its type or class, the company only needs to prepare a note on securities and a summary. Under EU law, frequent issuers are encouraged to prepare their prospectuses in the form of separate documents, as this reduces the cost of ensuring compliance with the regulation and allows them to react quickly to market opportunities. Bittnet's intention is to benefit from this solution in the next period, considering the future operation of increasing the share capital through cash contributions approved by EGMS Decision no. 4 from April 29, 2020.

### Share capital increase with free shares (7:10) | July 2020

On July 24, 2020, the Central Depository charged to the shareholders' accounts from the registration date 21.07.2020 a number of 89,074,893 free shares issued according to the EGMS Decision no. 2/29 April 2020. The operation had an allocation rate of 7 free shares for every 10 shares held, and the Company's capital was increased to the amount of 21,632,474 lei.

### Publication of the additional procedure and opt for cash distribution vs shares | July 2020

Bittnet made available to investors an electronic option solution in order to implement the EGMS Decision no. 3 / 29.04.2020, so that the shareholders from the registration date could choose between cash distribution or receive a free share of 10 held after the ratification of the additional procedure in the GMS of November 2020 and after the issuance by ASF of the new registration certificate.

Thus, during the period of expression of options (July 22, 2020 - July 30, 2020) the Issuer received a number of 285 options, from 285 shareholders.

Of the options expressed, 172 shareholders representing 92,448,298 voting rights, ie 72,6510% of the total voting rights opted for cash distribution (and to leave the free share to the Company). The company transferred to them the nominal value for the free share, ie the amount of 924,482 lei on August 3, through the Central Depository system, having Banca Transilvania as Paying Agent.

Of the options expressed, 113 shareholders representing 8,248,218 voting rights, ie 6.4819% of the total rights opted for Option 2 - one free share for every 10 shares held on the registration date: July 21, 2020.

A number of 1,642 shareholders representing 26,553,331 voting rights, ie 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.

Following the ratification by the GMS of November 2020 of the procedure and its results, and the issuance by the FSA of a new CIVM, the Central Depository will charge to the Issuer's account a number of 9,244,829 shares and to the shareholders' accounts listed in the previous paragraph a total of 3,480,154 actions.

### **BNET inclusion in BVB indices: BET-XT, BET-XT-TR, BET-BK, BET-Plus | September 2020**

On September 10, Bittnet informed investors about the decision of the Bucharest Stock Exchange Indices Commission, convened on September 9, 2020, to include the Company's shares in the BVB indices: BET-XT (Bucharest Exchange Trading Extended Index), BET- XT-TR (Bucharest Exchange Trading Extended Total Return Index), BET-BK (Bucharest Exchange Trading Benchmark Index) and BET-Plus (Bucharest Exchange Trading Plus Index). The entry into force of the changes at the level of the respective indices took place starting with September 21, 2020. The inclusion of BNET shares in BET-XT, BET-BK and BET-Plus indices was based on indicators such as liquidity, stock market capitalization and free-float and confirms the evolution of Bittnet market value and liquidity.

### **Payment of coupons for BNET bonds | Throughout Q3 2020**

The company is up to date with the payment of coupons to bond investors. Throughout Q3, coupon no. 12 related to BNET22 bonds (September), coupon 9 related to BNET23 issue (August), coupon 3 for BNET23A bonds (July) and coupon no. 3 related to the BNET23C issue (July) were paid.

## **Investor Relations Contact**

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**BITTNET SYSTEMS SA**

**CONSOLIDATED INTERIM REPORTING**

**Prepared in accordance with Order of the  
Minister of Public Finance no. 2844/2016 with  
subsequent amendments,**

**9 months ending on September 30, 2020**

The interim consolidated financial report from page [3] to page [6] was approved and signed by the Chief Executive Officer on 11 November 2020.

Mihai Logofatu

CEO

Adrian Stanescu

CFO

**Table of contents**

<b>Contents.....</b>	<b>2</b>
<b>CONSOLIDATED SITUATION OF COMPREHENSIVE INCOME .....</b>	<b>3</b>
<b>CONSOLIDATED SITUATION OF FINANCIAL POSITION.....</b>	<b>4</b>
<b>CONSOLIDATED SITUATION OF CASH FLOW.....</b>	<b>5</b>
<b>CONSOLIDATED SITUATION OF CHANGES IN EQUITY .....</b>	<b>6</b>
<b>NOTA 1. GENERAL INFORMATION.....</b>	<b>7</b>
<b>NOTA 2. BASES OF THE INTERIM REPORT.....</b>	<b>11</b>
<b>NOTA 3. SIGNIFICANT EVENTS AND TRANSACTIONS.....</b>	<b>12</b>
<b>NOTA 4. INFORMATION BY ACTIVITY SEGMENTS .....</b>	<b>14</b>
<b>NOTA 5. REVENUES FROM CUSTOMER CONTRACTS.....</b>	<b>15</b>
<b>NOTA 6. CLASSIFICATION OF EXPENSES.....</b>	<b>16</b>
<b>NOTA 7. EQUIVALENT SECURITIES.....</b>	<b>17</b>
<b>NOTA 8. CAPITAL AND RESERVES .....</b>	<b>18</b>
<b>NOTA 9. BANK LOANS .....</b>	<b>21</b>
<b>NOTA 10. INFORMATION REGARDING THE RELATION WITH RELATED PARTIES.....</b>	<b>23</b>

## CONSOLIDATED SITUATION OF COMPREHENSIVE INCOME

	for 9 months period	
	30 Sept 2020	30 Sept 2019
Revenues from contracts with customers	75,779,178	55,571,119
Sales Cost	(61,813,522)	(49,366,553)
<b>Gross margin</b>	<b>13,965,656</b>	<b>6,204,566</b>
Other incomes	422,479	523,645
Sales expenses	(6,037,911)	(4,725,508)
General and administrative expenses	(8,114,586)	(8,220,101)
Equity securities gain	(302,316)	15,725
Interest income	137,571	173,566
Financial expenses	(3,389,293)	(2,757,507)
<b>Gross profit</b>	<b>(3,318,399)</b>	<b>(8,785,615)</b>
Tax	300,172	1,234,159
<b>Net Profit, of which::</b>	<b>(3,018,227)</b>	<b>(7,551,456)</b>
related to the parent company	(3,151,782)	(7,581,611)
related to non-controlling interests	133,555	30,155
<b>Net profit</b>	<b>(3,018,227)</b>	<b>(7,551,456)</b>
Other elements of the overall result	-	-
<b>Total Global result</b>	<b>(3,018,227)</b>	<b>(7,551,456)</b>
related to the parent company	(3,151,782)	(7,581,611)
related to non-controlling interests	133,555	30,155



## CONSOLIDATED SITUATION OF FINANCIAL POSITION

	30 Sept 2020	31 Dec 2019
<b>Assets</b>		
<b>Fixed assets</b>		
Goodwill	17,701,643	17,701,643
Other intangible assets	6,129,604	6,039,991
Tangible fixed assets	5,812,843	6,742,571
Equivalent titles	1,754,160	1,236,738
Other financial assets	5,854	1,056,588
Deferred tax	946,231	562,443
<b>Total fixed assets</b>	<b>32,350,335</b>	<b>33,339,974</b>
<b>Current assets</b>		
Stocks	988,021	1,997,289
Trade receivables and other receivables	25,065,519	32,300,201
Cash and cash equivalents	22,806,469	20,824,117
Total current assets	<b>48,860,008</b>	<b>55,121,607</b>
<b>TOTAL ASSETS</b>	<b>81,210,343</b>	<b>88,461,581</b>
 <b>EQUITY AND DEBTS</b>		
Share capital	25,374,695	11,620,321
Premiums	982,966	-
Other equity items	(1,366,552)	1,118,923
Reserves	365,212	352,151
Reported result	(7,152,428)	(1,044,521)
<b>Capital related to the parent company</b>	<b>18,203,893</b>	<b>12,046,873</b>
Non-controlling interests	248,445	324,703
Total equity and reserves	<b>18,452,338</b>	<b>12,371,577</b>
<b>Long-term debts</b>		
Bonds	28,357,324	28,195,593
Bank loans	6,322,709	4,807,687
Leasing	3,292,674	3,842,943
<b>Total long-term debts</b>	<b>37,972,707</b>	<b>36,846,223</b>
<b>Current debts</b>		
Bank loans	986,252	3,560,417
Leasing	1,384,765	1,325,649
Dividends	33,656	-
Profit tax liabilities	8,891	226,880
Commercial and other liabilities	22,371,734	34,130,836
Total current debts	<b>24,785,298</b>	<b>39,243,781</b>
Total debts	<b>62,758,005</b>	<b>76,090,004</b>
<b>TOTAL EQUITY AND DEBTS</b>	<b>81,210,343</b>	<b>88,461,581</b>

## CONSOLIDATED SITUATION OF CASH FLOW

	for 9 months period	
	30 Sept 2020	30 Sept 2019
<b>Gross Profit</b>	<b>(3,318,399)</b>	<b>(8,785,615)</b>
Adjustments for:		
Depreciation expenses	1,770,788	1,803,113
Benefits granted to employees - SOP	1,256,723	696,859
Adjustments for depreciation of receivables	-	(3,557)
Interest expenses and other financial costs	2,994,572	2,286,589
Interest income	169,324	247,433
Equity securities gain	302,316	(15,725)
<b>Operating profit without change in working capital</b>	<b>3,175,324</b>	<b>(3,770,903)</b>
Variation of receivables account balances	7,519,791	6,427,774
Variation of stock account balances	1,009,268	(3,315,127)
Change in accounts payable balances	(7,527,589)	(819,585)
<b>Cash generated from operating</b>	<b>4,176,793</b>	<b>(1,477,841)</b>
Profit tax paid	(301,605)	(594,075)
<b>Net cash from operating activities</b>	<b>3,875,188</b>	<b>(2,071,916)</b>
<b>Investment activities:</b>		
Payments for the acquisition of subsidiaries, +/- cash	-	(709,920)
Goodwill acquisition	(4,231,513)	-
Acquisitions of tangible and intangible assets	(930,673)	(620,694)
Interest received	83,460	183,271
<b>Net cash from investment activities</b>	<b>(5,078,726)</b>	<b>(1,147,343)</b>
<b>Financing activities:</b>		
Proceeds from share issue	8,853,597	-
Proceeds from bond issue	(951,360)	-
Repayments of Bank loans	(1,059,142)	(605,965)
Proceeds from bond issue	-	9,600,000
Repayments on bond issue	-	(4,186,000)
Payment leasing debts	(798,048)	(947,262)
Interest paid	(2,832,841)	(2,105,834)
Dividends paid	(26,316)	-
<b>Net cash from financing activities</b>	<b>3,185,889</b>	<b>1,754,939</b>
Net increase in cash and cash equivalents	<b>1,982,351</b>	<b>(1,464,320)</b>
Cash and cash equivalents at the beginning of the financial year	20,824,117	13,047,882
<b>Cash and cash equivalents at the end of the financial year</b>	<b>22,806,469</b>	<b>11,583,562</b>

## CONSOLIDATED SITUATION OF CHANGES IN EQUITY

	Capital social	Prime de emisiune	Alte elemente de capitaluri proprii	Rezerve legale	Rezultat reportat	Total capitaluri	Interese care nu contoleaza	Total capitaluri proprii
<b>31 dec 2019</b>	<b>11,620,321</b>	-	<b>1,118,923</b>	<b>352,151</b>	<b>(1,044,521)</b>	<b>12,046,873</b>	<b>324,703</b>	<b>12,371,577</b>
Net Profit	-	-	-	-	(3,151,782)	(3,151,782)	133,555	(3,018,227)
Other elements of the global result	-	-	-	-	-	-	-	-
Total Global result	-	-	-	-	(3,151,782)	(3,151,782)	133,555	(3,018,227)
<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	2,469,723	-	(2,164,360)	-	-	305,363	-	305,363
Distribution of dividends	-	-	-	-	149,842	149,842	(209,814)	(59,972)
Distribution of the legal reserve	-	-	-	-	13,061	(13,061)	-	-
<b>30 septembrie 2020</b>	<b>25,374,695</b>	<b>982,966</b>	<b>(1,366,552)</b>	<b>365,212</b>	<b>(7,152,428)</b>	<b>18,203,893</b>	<b>248,445</b>	<b>18,452,338</b>
	<b>Capital social</b>	<b>Prime de emisiune</b>	<b>Alte elemente de capitaluri proprii</b>	<b>Rezerve legale</b>	<b>Rezultat reportat</b>	<b>Total capitaluri</b>	<b>Interese care nu contoleaza</b>	<b>Total capitaluri proprii</b>
<b>31 dec 2018</b>	<b>5,175,524</b>	<b>2,594,889</b>	<b>1,038,755</b>	<b>266,124</b>	<b>4,723,437</b>	<b>13,798,728</b>	<b>201,818</b>	<b>14,000,546</b>
Net Profit	-	-	-	-	(7,581,611)	(7,581,611)	30,155	(7,551,456)
Other elements of the global result	-	-	-	-	-	-	-	-
Total Global result	-	-	-	-	(7,581,611)	(7,581,611)	30,155	(7,551,456)
<i>Transactions with shareholders</i>								
Capital share increase	5,093,822	(2,165,390)	-	-	(2,928,432)	-	-	-
Benefits granted to employees SOP	921,476	-	(224,617)	-	-	696,859	-	696,859
<b>30 septembrie 2019</b>	<b>11,190,822</b>	<b>429,499</b>	<b>814,138</b>	<b>266,124</b>	<b>(5,786,606)</b>	<b>6,913,976</b>	<b>231,974</b>	<b>7,145,949</b>

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**NOTA 1.      GENERALE Information**

**Group structure and operational activities:**

The financial statements include the consolidated financial information of the parent company Bittnet Systems (the "Issuer"), headquartered in Str. Soimus no. 23, bl 2, ap. 24, Sector 4, Bucharest and working point Bd. Timisoara, Nr. 26, Cladirea Plaza Romania Offices, Floor 1, Sector 6, Bucharest and of the following subsidiaries, all branches being registered in Romania:

<b>Subsidiaries - % ownership</b>	<u><b>30 sept 2020</b></u>	<u><b>31 dec 2019</b></u>
<b>Dendrio Solutions</b>	100%	100%
<b>Elian Solutions</b>	<u>51.02%</u>	<u>51.02%</u>
 <b>MINORITY INTERESTS</b>		
<b>Equatorial Gaming</b>	<u>38.62%</u>	<u>25.00%</u>

The Group has over 120 employees and collaborators, who work for one of the 4 companies included in the group.

The consolidated financial statements include the results of the business combination by the acquisition method. In the statement of financial position, the assets, liabilities and contingent liabilities of the acquirer entity are initially recognized at their fair values at the acquisition date. The results of the acquired operations are included in the consolidated statement of comprehensive income from the date of obtaining control (Dendrio Solutions - September 2017, Elian Solutions - November 2018).

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**Bittnet Systems SA - CUI 211818481**

Bittnet was established in 2007 and focused on providing IT training and integration solutions, based on market-leading technologies such as Cisco, Microsoft, Dell, Oracle, HP, VMware, Google, Amazon Web Services..

In February 2009, the company changed its legal status in the joint stock company (SA), following the increase of the share capital, using the profits generated in 2008. In 2012, the company received a first infusion of capital "from abroad" (equity investment ) from the business angel Răzvan Căpățînă, who is still an important shareholder of the company.

Since March 2015, Bittnet is listed on the AeRO market of the Bucharest Stock Exchange, under the symbol BNET. Bittnet was the first IT company to be listed on BVB, after an infusion of 150,000 euros in the company, received from the Polish fund Carpathia Capital SA in exchange for a 10% stake.

In 2016, the company created a new area of expertise by introducing consulting and migration services in the cloud. As a result, Bittnet has launched a series of actions dedicated to customers strictly for this range of services, targeting a new group of customers, with a slightly different profile. During 2017, the company continued to invest in increasing and diversifying AWS and Azure-specific technical skills in order to meet the requests received.

From April 2018, the new structure of the group was adopted and the business structure of Bittnet Group was reorganized into two key divisions: Education and Technology.

- **Education** - which currently consists of the IT training segment where Bittnet is the market leader, with almost 20 years of experience and the largest team of trainers in Romania. The trainings offered by Bittnet allow experts to access technology by teaching IT skills, from the basic ones (eg Microsoft Office Suite) to the most advanced ones (Cloud, DevOps, Cybersecurity). The business training portfolio includes project management, IT services management, business intelligence, CRM, ERP, Agile, etc.
- **Technology** - which is focused on IT integration services, offering integration solutions previously offered by both Bittnet and Dendrio. This activity has a shared portfolio of products, services and solutions and a larger team that will allow a greater volume of work, both technically and in terms of sales

**Dendrio Solutions - CUI 11973883**

During 2017, the Bittnet acquired GECAD NET from the entrepreneur Radu Georgescu. In the first half of 2018, GECAD Net was renamed Dendrio Solutions. Dendrio is the only integrator of hybrid "multi-cloud" solutions in Romania, having a consolidated position as a company certified by the most important IT providers in the world, focusing on cloud and IT security..

The IT solutions provided by Dendrio include: general consulting services, IT assessment services, implementation and migration services, maintenance and support services, infrastructure optimization services and IT training services. The company is the only "hybrid multi-cloud" integrator in Romania, consolidating its position as a certified company by the most important IT providers in the world, focusing on cloud and cybersecurity..

In December 2018, Bittnet acquired the IT&C integration activity of Crescendo International SRL, a company with 25 years of experience in Romania and on foreign markets. Crescendo's IT&C division has been integrated into Dendrio and, as a result of the merger, the company benefits from a more stable business structure, extensive staff resources, and an extensive portfolio of customers, products and services.

**Elian Solutions - CUI 23037351**

In 2018, the Group acquired a majority stake in the company that provides ERP solutions, Elian Solutions. Elian completed the offer of IT integration services by adding ERP solutions in the group's portfolio.

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Elian Solutions is specialized in providing implementation services for Enterprise Resource Planning (ERP) solutions, Microsoft Dynamics NAV. Elian is the only partner who holds a Gold Certificate for this solution from Microsoft in Romania. The solution implemented by Elian allows companies to know the situation of stocks, receivables and debts, to be able to forecast, inter alia cash flow, to track production, cost centers and much more.

**Equatorial Gaming - CUI 30582237**

In 2018, the Group acquired a significant stake in the game-based learning company, Equatorial Gaming. Following the acquisition, Equatorial's activities were integrated into the Education division. Equatorial, a game-based learning company, specializes in providing transformative training and consulting programs at the individual, team and organizational levels in Romania and abroad. In 2015, the company invented and launched Equatorial Marathon, an Alternate Reality Game for corporations, which increases involvement and stimulates employee behavior change. In 2018 Equatorial launched a new product: VRrunners, an evolution for mobile platforms of the Marathon application. In 2019, Equatorial launched 2 new games: White Hat and Bona Fidae Agency.

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## **The Group's Management**

The Administration of the Issuer, the parent company of the Group (Bittnet Systems S.A.), is ensured starting with 2020 by a Board of Directors composed of 3 members: Ivylon Management, Chairman of the Board through legal representative, **Mihai Logofatu** - founder of the Company, **Lucian Claudiu Anghel** - Vice Chairman of the Board and independent administrator, and **Cristian Logofatu** - board member, non-executive administrator. Previously, Mihai Logofatu ensured the administration of the Issuer from the beginning of the activity until January 2020.

The operational management of the Group is provided by: **Mihai Logofatu** - CEO and **Adrian Stanescu** - CFO, together with **Cristian Hergelegiu**, administrator of Dendrio Solutions through Byte Consult - VP for Technologies, and **Daniel Berceanu** - VP for Education.

The persons identified as key management from the IFRS perspective are the members of the Board of Directors and the operational management.

Starting with 2012, after attracting the capital infusion from **Razvan Capatina**, Bittnet built an Advisory Board, composed of people with a special reputation due to their rich entrepreneurial and managerial experience: **Sergiu Negut**, **Andrei Pitis** and **Dan Stefan**. Starting with 2015, Dan Berceanu joined the Bittnet advisory board.

The Advisory Board meets at least 4 times a year, is presented with internal management reports, and board members assist and guide the Company's management in strategic decisions.

The experience of the members of the advisory board has been a real support in the development of the Company in the last 3 years and Bittnet continues to rely on their support in the face of new challenges.

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## **NOTA 2. BASIS OF THE INTERIM REPORT**

The Group's financial statements are prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("EU IFRS") and OMFP 2844/2016, respectively, as amended, "for the approval of accounting regulations in accordance with International Financial Reporting Standards", the date of transition being January 1st, 2016.

The consolidated reporting for the 9-month period ended September 30, 2020 has been prepared in accordance with IAS34 "Interim Financial Reporting". This report does not include all information and disclosures that would be required in a complete set of IFRS financial statements and should be read in conjunction with the 2019 annual financial statements.

The Group has applied the same accounting policies and valuation methods in the interim reporting as for the annual financial statements. There are no significant implications for the amendments to the IFRS 16 "COVID - 19 standard regarding Leasing Concessions.

There are a number of standards, changes of standards and interpretations issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt in advance. The Group is currently assessing the impact of these new accounting standards and changes, but does not anticipate a significant impact.

The essential estimates and reasoning applied in the annual financial statements are continuously evaluated and consistently applied based on historical experience and other factors, including expectations regarding future events that are considered reasonable in those circumstances. In the future, the actual experience may differ from these estimates and assumptions. Estimates and assumptions that present a significant risk of generating a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below.

Essential reasoning:

- Income recognition - the principal / agent relationship;
- Bittnet trademark recognition;
- Recognition of the incentive program for employees/collaborators by offering stock options - "SOP" Estimates and assumptions;
- The evaluation of the consideration related to the incentive program for employees/ collaborators by offering shares;
- Evaluation of adjustments for impairment of receivables.

## **NOTA 3. SIGNIFICANT EVENTS AND TRANSACTIONS**

### **The economic context**

It has been more than 6 months since the Group operates in a totally different market from the traditional one, what the specialists call the **Low Touch Economy**. The Low Touch economy refers to how companies around the world have been forced to operate to succeed as a result of Covid-19 pandemic. The best way to define its meaning is to list its main features so far. To mitigate health risks, companies have been forced to adapt to strict policies, including poor interactions, limited assemblies, travel restrictions, and so on. More reactions in global



markets can already be seen. These include changes in consumer behavior, new regulations and supply chain disruptions.

More and more market studies, conducted in recent months on the impact of Covid-19 on the business environment in Romania, have highlighted that a percentage of over 50% of companies are either severely impacted (entire sectors partially or even completely disrupting economic activity ) or estimates decreases in income in 2020 with percentage values between 10 and 20% compared to 2019. At the same time, over 1 million people have lost their jobs mainly in the sectors most affected by the imposition of measures to reduce spread of the virus.

An analysis published by a famous Romanian publication shows that although the IT industry in Romania had a positive evolution (expected) compared to the rest of the economy - registering a growth of 12% over the previous year - our group continued to grow much above this pace, at the comparable period the growth of Bittnet was of approx. 40%.

The companies that will survive the Covid19 pandemic will be those that rely on business models adapted to this new normal, while keeping everyone in the safest possible conditions.

As for any other company, the Group was a period full of intensified efforts and adaptation to the new reality of work. Most of the activities were moved to the online space (virtual live), since the first days of March, the Group continues to deliver training sessions to clients in Romania and to the international market. At the same time in the technology division the activities that could not be delivered through digital channels were delivered taking into account all the protection measures recommended by the authorities..

Thus, all promises to customers were kept and there were no delays in delivery, but perhaps most importantly, the Group managed to protect the health of team members.

### **Cyclicality / seasonality of income**

Historically, considering the seasonality of budgets and expenditure models in the IT&C sector, the most significant results of the Bittnet Group were allways recorded in the last months of the year, more precisely in the 4th Quarter of each year. As a guideline, in the company's history, the results of the first nine months represented approximately 60% of the turnover of the year, and in the 4th Quarter, approximately 40%. This is due to the specifics of the Group's clients, large, very large and even giant companies, which operate with annual budgets.

### **Main Market – Bucharest Stock Exchange transfer**

On June 3rd , 2020, Bittnet (BNET) shares started trading on BSE's Regulated Market, five years after listing on the AeRO-SMT market. In the first 9 months of the year, Bittnet shareholders gained almost 9%, a yield 16 percentage points above the market average represented by the BET-XT-TR index, which fell by 7.55% even including dividends. This trend is well known and very pronounced globally, showing why it is relevant to invest in technology companies. The shareholders who invested in the capital increase in Q1 had a profit of 29% on September 30, ignoring the cash distribution related to the EGMS Decision no. 3.

### **BNET in Bucharest Stock Exchange indices: BET-XT, BET-XT-TR, BET-BK, BET-Plus**

On September 10, Bittnet informed investors about the decision of the Bucharest Stock Exchange Indices Commission, meeting on September 9, 2020, to include the Company's shares in the BVB indices: BET-XT (Bucharest Exchange Trading Extended Index), BET- XT-TR (Bucharest Exchange Trading Extended Total Return Index), BET-BK (Bucharest Exchange Trading Benchmark Index) and BET-Plus (Bucharest Exchange Trading Plus Index). The entry into force of the changes at the level of the respective indices took place starting with September 21, 2020. The inclusion of BNET shares in BET-XT, BET-BK and BET-Plus indices was based on indicators such as liquidity, stock market capitalization and free-float, and confirms the evolution of Bittnet market value and liquidity.

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**NOTA 4. INFORMATION BY ACTIVITY SEGMENTS**

Reporting by activity segments is done in a manner consistent with internal reporting to the main operational decision-maker. The main operational decision-maker, which is responsible for allocating resources and evaluating the performance of business segments, has been identified as the Executive Management that makes strategic decisions.

Bittnet Group operates two key divisions: **Education** and **Technology**.

- **Education** - which currently consists of the IT training segment  
The trainings offered by Bittnet allow the access of technology experts by teaching IT skills, from the basic ones (eg: Microsoft Office Suite) to the most advanced ones (Cloud, DevOps, Cybersecurity). The business training portfolio includes project management, IT services management, business intelligence, CRM, ERP, Agile, etc.
- **Technology** - which is focused on IT integration services, offering integration solutions previously offered by both **Bittnet** and **Dendrio**. This activity has a shared portfolio of products, services and solutions and a larger team that will allow a greater volume of work, both technically and in terms of sales.

Gross margin is the main indicator that Management monitors in evaluating performance in each segment. Also, sales costs are tracked on each segment, while other general and administrative costs have not been allocated.

OPERATIONAL RESULTS	9 months ended 30 Sept 2020			9 months ended 30 Sept 2019		
	Education	Technology	Total	Education	Technology	Total
Turnover	7,448,896	68,607,845	76,056,740	7,427,247	48,229,749	55,656,995
Revenues between segments	(26,746)	(250,817)	(277,563)	(10,910)	(74,967)	(85,876)
Revenues from contracts with clients	7,422,150	68,357,028	75,779,178	7,416,337	48,154,782	55,571,119
<b>Gross margin</b>	<b>4,216,965</b>	<b>9,748,691</b>	<b>13,965,656</b>	<b>3,332,513</b>	<b>2,872,053</b>	<b>6,204,566</b>
Allocated sales costs	(2,112,517)	(3,925,394)	(6,037,911)	(1,418,682)	(3,306,826)	(4,725,508)
<b>Margin, after sales costs</b>	<b>2,104,448</b>	<b>5,823,297</b>	<b>7,927,745</b>	<b>1,913,831</b>	<b>(434,773)</b>	<b>1,479,058</b>
Other incomes			422,479			523,645
Unallocated operating expenses			(8,114,586)			(8,220,101)
Financial income / expenses			(3,554,038)			(2,568,216)
<b>Gross result</b>			<b>(3,318,399)</b>			<b>(8,785,615)</b>

ASSETS / LIABILITIES	9 months ended 30 Sept 2020			31 decembrie 2019		
	Educație	Tehnologie	Total	Educație	Tehnologie	Total
<b>Investments in non-financial assets</b>	<b>835,691</b>	<b>182,287</b>	<b>1,017,979</b>	<b>455,598</b>	<b>5,556,915</b>	<b>6,012,514</b>
Assets by each segment	12,279,060	42,235,029	54,514,089	13,951,354	48,789,939	62,741,293
Unallocated assets			26,696,254			25,720,289
<b>Assets Total</b>			<b>81,210,343</b>			<b>88,461,581</b>
Debts by each segment	3,726,903	50,506,625	54,233,528	4,186,062	59,420,591	63,606,653
Unallocated debts			8,524,476			12,483,351
<b>Debts Total</b>			<b>62,758,005</b>			<b>76,090,004</b>

**NOTA 5. REVENUES FROM CUSTOMER CONTRACTS**

Revenues from customer contracts are detailed in the following table:

	9 months:	
	30 Sept 2020	30 Sept 2019
Training services	7,422,150	7,416,337
IT solutions integration services	13,445,828	7,524,848
<b>Revenues from the provision of services</b>	<b>20,867,978</b>	<b>14,941,185</b>
Selling goods integrating IT solutions	24,491,407	12,524,484
Resold licenses	30,419,792	28,105,449
<b>Sales goods</b>	<b>54,911,200</b>	<b>40,629,934</b>
<b>Total</b>	<b>75,779,178</b>	<b>55,571,119</b>

**Training services**

Revenues from training services include expert access to technology by teaching IT skills, from basic (eg Microsoft Office Suite) to the most advanced (Cloud, DevOps, Cybersecurity). The business training portfolio includes project management, IT services management, business intelligence, CRM, ERP, Agile, etc. Bittnet offers a wide range of IT courses. Each course can be held in two flexible ways: intensive (5 days a week, 8 hours a day) or mixed format (2/4/6 hour courses, depending on the client's need). Each student receives access to dedicated equipment, official curriculum, as well as online and offline exams. Revenues are recognized at a specific time, at the end of the training as a result of fulfilling the execution obligation.

**IT solutions integration services**

The IT solutions provided by the Group include: general consulting services, IT assessment services, implementation and migration services, maintenance and support services, infrastructure optimization services. The integrator business involves providing solutions and services starting with the initial analysis, design, implementation and testing phase resulting in turnkey projects for companies with different IT needs. In general, revenues are recognized at a specific time, upon completion of implementation as a result of the fulfillment of the enforcement obligation.

**Revenues from the sale of goods and licenses**

Revenue from the sale of goods and licenses is recognized when the customer gains control over the transferred assets.

**Revenues from a geographical perspective**

Revenues are significantly provided and goods delivered to entities in Romania.

**NOTA 6. CLASSIFICATION OF EXPENSES**

The classification of total operating expenses, by nature, is detailed in the following table:

	<b>9 months:</b>	
	<b>30 sept 2020</b>	<b>30 sept 2019</b>
Materials and goods	22,193,883	11,783,837
Resold licenses	26,966,619	25,731,592
Staff expenditure	5,897,200	5,574,362
Expenses with collaborators	8,410,654	6,897,237
Amortization	1,770,788	1,803,113
Cloud services	3,650,522	1,437,522
Rent expenditure	144,805	445,505
Commissions and fees	164,105	117,731
Marketing and PR	693,405	546,982
Travel and transportation	43,160	86,990
Insurance	118,617	104,554
Telecom and post expenditure	95,518	100,487
Donations	18,145	42,732
Receivables adjustments	-	(3,557)
Bank fees	51,547	88,967
Services provided by third parties	5,372,277	6,918,102
Other expenditures	374,774	636,006
<b>Total operating expenses</b>	<b>75,966,018</b>	<b>62,312,162</b>

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**NOTA 7. EQUIVALENT SECURITIES**

The investment in Equatorial Gaming 38.62% (25% as of December 31, 2019) was accounted for using the equity method from the date it became part of the Group, respectively in August 2018. When acquiring the investment, the difference between the investment cost and the entity's share of the value is the net fair value of the company's identifiable assets and liabilities (goodwill) and is included in the carrying amount of the investment. In applying the equivalent/equity method, the financial information was used on August 31, 2018.

Equatorial Gaming S.A. capital was increased by the conversion of the Bittnet loan in the amount of RON 1,050,000 as well as by the contribution in nature represented by the Equatorial Gaming trademark in amount of RON 650,000. Thus, the subscribed and paid capital of Equatorial Gaming S.A. increased from the amount of RON 122,728 (122,728 shares) to RON 142,988 (142,988 shares), the difference being registered as issue premiums. Following the capital increase operation, Bittnet Systems S.A. holds 38.6235% of the shares of Equatorial Gaming S.A. The Group aims to acquire almost all Equatorial Gaming shares up to 99% of the company, in order to fully integrate operations in the area of Education division, once validated that the model is correct and that the team shares the values of the Group. The proposal is on the GMS Agenda for November.

**NOTA 8. CAPITAL AND RESERVES**

Details regarding the Group's capital reserves are presented in the following table:

	<b>30 sept 2020</b>	<b>31 dec 2019</b>
Share Capital	25,374,695	11,620,321
Issue premiums	982,966	-
Legal reserves	365,212	352,151
Other equity items	(1,366,552)	1,118,923
Reported result	(4,000,646)	1,708,978
Current result	(3,151,782)	(2,753,499)
<b>Total</b>	<b>18,203,893</b>	<b>12,046,873</b>

**Share capital**

On April 10, 2020, Bittnet successfully closed the capital increase operation and attracted RON 9,174,711.74 from the investors of the Bucharest Stock Exchange. The operation took place in two stages, in March and April. In the first stage, which took place between March 5 and April 3, 2020, 5,046,928 new shares (45.69% of the total) were subscribed at the price of 0.83 ron per share, by 189 investors, both individuals and legal persons. In the second stage, the Company offered for sale the 5,999,713 shares remaining unsubscribed, within a private placement, at a price per share of 0.831 ron. The subscriptions were made by 51 investors. The capital raised will be used for investment and working capital, as specified in the company's 2020 budget.

On April 22, 2020, the changes regarding the increase of the share capital with cash contribution and the issuance of the Certificate of Registration according to the new coordinates of the increased capital were registered in the Trade Register.

After the completion of the operation, the subscribed share capital of the company was in amount of RON 12,724,984.70. On April 29, 2020, the Ordinary and Extraordinary General Meetings of Shareholders took place. Given the context of the pandemic and the emergency, the Bittnet OGMS and the EGMS took place exclusively online. At the Meetings, the shareholders voted:

- 1) Approval of the share capital increase with the amount of RON 8,907,489.3 through the issuance of 89,074,893 free shares with a nominal value of 0.1 ron / share for the benefit of shareholders registered in the Shareholders Register kept by the Central Depository on the registration date established by the GMS. The distribution of the newly issued shares will be made in proportion of 7 free shares for every 10 shares held.

On July 24, 2020, the Central Depository charged to the shareholders' accounts from the registration date 21.07.2020 a number of 89,074,893 free shares issued according to the EGMS Decision no. 2/29 April 2020. The operation had an allocation rate of 7 free shares for every 10 shares held, and the Company's capital was increased to the amount of 21,632,474 RON.



- 2) Approval of the share capital increase with the amount of RON 1,272,498.5 through the issuance of 12,724,985 new shares with a nominal value of 0.1 lei / share for the benefit of shareholders registered in the Register of Shareholders kept by the Central Depository on the registration date established by the GMS. The distribution of the newly issued shares will be made 1 free share for every 10 shares held. The shareholders have 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 of the approved plans. This decision was subject to an additional procedure after the end of H1 2020

The company made available to investors an electronic option solution in order to implement the EGMS Decision no. 3 / 29.04.2020, so that the shareholders from the registration date could choose between cash distribution or receive a free share of 10 held after ratification of the additional procedure in the GMS of November 2020 and after the issuance by ASF of the new registration certificate.

Thus, during the period of expression of options (July 22, 2020 - July 30, 2020) the Issuer received a number of 285 options, from 285 shareholders. Of the options expressed, 172 shareholders representing 92,448,298 voting rights, ie 72,6510% of the total voting rights opted for cash distribution (and to leave the additional free share to the Company). The company transferred to them the nominal value for the free share, ie the amount of 924,482 ron on August 3, through the Central Depository system, having the Payment Agent Banca Transilvania.

Of the options expressed, 113 shareholders representing 8,248,218 voting rights, ie 6.4819% of the total rights opted for Option 2 - one free share for every 10 shares held on the registration date: July 21, 2020. A number of 1,642 shareholders representing 26,553,331 voting rights vote, ie 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.

Following the ratification by the GMS of November 2020 of the procedure and its results, and the issuance by the FSA of a new CIVM, the Central Depository will charge to the Issuer's account a number of 9,244,829 shares and to the shareholders' accounts listed in the previous paragraph a total of 3,480,154 actions.

### **Stock Option plan - SOP2018**

The Board of Directors decided in August 2020 to increase the share capital by issuing a number of 24,697,223 ordinary shares, registered, dematerialized, of equal value and with a nominal value of 0.1 lei each, on account of the receivable held over the company by the Holders of Options ("Persons Key") in accordance with the Key Incentives Plan - Stock Option Plan approved by the EGMS Decision 12 of 25.04.2018 and the option contracts and additional documents - hereinafter referred to as "SOP 2018" or "SOP".

The share capital increased by the amount of RON 2,469,722.30 as a result of the implementation of this decision.

According to the incentive plan - SOP2018 - a total number of 47 persons received the right, without having the obligation, to purchase from the Company shares at a price per share equivalent to a capitalization of the company as of 31.12.2017. Between 10.05.2020 - 10.06.2020 (maturity of the option), the persons exercised the option, the Company having the option to repurchase shares on the market or to operate a capital increase by issuing to the holders of options a number of shares equivalent to (at market price) with the financial value of the option for the holders of options.

The shareholding structure at each reference date is presented in the table below:

<b>Shareholder</b>	<b>30 sept 2020</b>	<b>31 dec 2019</b>
Mihai Logofatu	14.14%	15.03%
Cristian Logofatu	12.87%	14.02%
Razvan Capatana-Grosanu	10.02%	11.05%
Other	62.97%	59.90%
<b>Total</b>	<b>100%</b>	<b>100%</b>

pentru 9 luni incheiate la 30 septembrie 2020

Întocmita in conformitate cu OMFP nr. 2844/2016

(toate sumele sunt exprimate in LEI, daca nu este specificat altfel)

**NOTA 9. BANK LOANS**

Details on bank loans are presented in the following table:

	<b>30 sept 2020</b>	<b>31 dec 2019</b>
ProCredit loans long term	2,808,961	1,168,104
ProCredit O/D 4.5 mill.	4,500,000	4,500,000
ProCredit O/D 2.79 mill.	-	2,700,000
<b>Total, din care:</b>	<b>7,308,961</b>	<b>8,368,104</b>
Long term debt	6,322,709	4,807,687
Short term debt	986,252	3,560,417

**ProCredit Bank**

The group's bank loans/credit 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 in amount of RON 12 million at ProCredit Bank, ING Bank and Unicredit Bank and a non-cash ceiling for issuing letters of bank guarantee of RON 1 million from Banca Transilvania. In 2020, the following operations were carried out in terms of bank lending:

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

pentru 9 luni incheiate la 30 septembrie 2020

Întocmita in conformitate cu OMFP nr. 2844/2016

(toate sumele sunt exprimate in LEI, daca nu este specificat altfel)

**NOTA 10. INFORMATION REGARDING THE RELATION WITH RELATED PARTIES**

Details on balances and related party transactions are set out below.

The remuneration paid to Key Management (identified in Note 1) is as follows:

	<b>9 months:</b>	
	<b>30 Sept 2020</b>	<b>30 Sept 2019</b>
Management contracts	422,540	344,085
SOP expenditures	553,864	336,421
<b>Total</b>	<b>976,404</b>	<b>680,506</b>

<b>Debt</b>	<b>30 sept 2020</b>	<b>31 dec 2019</b>
Key managemnt	38,208	-
<b>Total</b>	<b>38,208</b>	<b>-</b>

<b>Receivables and loans</b>	<b>30 sept 2020</b>	<b>31 dec 2019</b>
Equatorial Gaming – main loan	-	1,050,000
Equatorial Gaming – other receivables	62,440	358,049
<b>Total</b>	<b>62,440</b>	<b>1,408,049</b>

The loan to Equatorial Gaming is granted for a period of 3 years, with an interest rate of 9% per year. The group converted these loans into shares in 2020.