

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

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

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)
Gross margin	13,965,656	6,204,566
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)
Gross profit	(3,318,399)	(8,785,615)
Tax	300,172	1,234,159
Net Profit, of which::	(3,018,227)	(7,551,456)
related to the parent company	(3,151,782)	(7,581,611)
related to non-controlling interests	133,555	30,155
Net profit	(3,018,227)	(7,551,456)
Other elements of the overall result	-	-
Total Global result	(3,018,227)	(7,551,456)
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
Assets		
Fixed assets		
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
Total fixed assets	32,350,335	33,339,974
Current assets		
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	48,860,008	55,121,607
TOTAL ASSETS	81,210,343	88,461,581
EQUITY AND DEBTS		
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)
Capital related to the parent company	18,203,893	12,046,873
Non-controlling interests	248,445	324,703
Total equity and reserves	18,452,338	12,371,577
Long-term debts		
Bonds	28,357,324	28,195,593
Bank loans	6,322,709	4,807,687
Leasing	3,292,674	3,842,943
Total long-term debts	37,972,707	36,846,223
Current debts		
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	24,785,298	39,243,781
Total debts	62,758,005	76,090,004
TOTAL EQUITY AND DEBTS	81,210,343	88,461,581

CONSOLIDATED SITUATION OF CASH FLOW

	for 9 months period	
	30 Sept 2020	30 Sept 2019
Gross Profit	(3,318,399)	(8,785,615)
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)
Operating profit without change in working capital	3,175,324	(3,770,903)
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)
Cash generated from operating	4,176,793	(1,477,841)
Profit tax paid	(301,605)	(594,075)
Net cash from operating activities	3,875,188	(2,071,916)
Investment activities:		
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
Net cash from investment activities	(5,078,726)	(1,147,343)
Financing activities:		
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)	-
Net cash from financing activities	3,185,889	1,754,939
Net increase in cash and cash equivalents	1,982,351	(1,464,320)
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	22,806,469	11,583,562

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
31 dec 2019	11,620,321	-	1,118,923	352,151	(1,044,521)	12,046,873	324,703	12,371,577
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)	-	-
30 septembrie 2020	25,374,695	982,966	(1,366,552)	365,212	(7,152,428)	18,203,893	248,445	18,452,338
	Capital social	Prime de emisiune	Alte elemente de capitaluri proprii	Rezerve legale	Rezultat reportat	Total capitaluri	Interese care nu contoleaza	Total capitaluri proprii
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	-	-	-	-	(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
30 septembrie 2019	11,190,822	429,499	814,138	266,124	(5,786,606)	6,913,976	231,974	7,145,949

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:

Subsidiaries - % ownership	30 sept 2020	31 dec 2019
Dendrio Solutions	100%	100%
Eliau Solutions	51.02%	51.02%
MINORITY INTERESTS		
Equatorial Gaming	38.62%	25.00%

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, Eliau Solutions - November 2018).

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 Căpățină, 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.

Eliau Solutions - CUI 23037351

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

Eliau Solutions is specialized in providing implementation services for Enterprise Resource Planning (ERP) solutions, Microsoft Dynamics NAV. Eliau is the only partner who holds a Gold Certificate for this solution from Microsoft in Romania. The solution implemented by Eliau 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.

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 Herghelegiu**, administrator of Dendrio Solutions through Byte Consult - VP for Technologies, and **Daniel Berteanu** - 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 Berteanu 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.

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.

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
Gross margin	4,216,965	9,748,691	13,965,656	3,332,513	2,872,053	6,204,566
Allocated sales costs	(2,112,517)	(3,925,394)	(6,037,911)	(1,418,682)	(3,306,826)	(4,725,508)
Margin, after sales costs	2,104,448	5,823,297	7,927,745	1,913,831	(434,773)	1,479,058
Other incomes			422,479			523,645
Unallocated operating expenses			(8,114,586)			(8,220,101)
Financial income / expenses			(3,554,038)			(2,568,216)
Gross result			(3,318,399)			(8,785,615)

ASSETS / LIABILITIES	9 months ended 30 Sept 2020			31 decembrie 2019		
	Educație	Tehnologie	Total	Educație	Tehnologie	Total
Investments in non-financial assets	835,691	182,287	1,017,979	455,598	5,556,915	6,012,514
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
Assets Total			81,210,343			88,461,581
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
Debts Total			62,758,005			76,090,004

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
Revenues from the provision of services	20,867,978	14,941,185
Selling goods integrating IT solutions	24,491,407	12,524,484
Resold licenses	30,419,792	28,105,449
Sales goods	54,911,200	40,629,934
Total	75,779,178	55,571,119

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:

	9 months:	
	30 sept 2020	30 sept 2019
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
Total operating expenses	75,966,018	62,312,162

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:

	30 sept 2020	31 dec 2019
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)
Total	18,203,893	12,046,873

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:

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

pentru 9 luni incheiate la 30 septembrie 2020

Întocmita în conformitate cu OMFP nr. 2844/2016

(toate sumele sunt exprimate în LEI, dacă nu este specificat altfel)

NOTA 9. BANK LOANS

Details on bank loans are presented in the following table:

	30 sept 2020	31 dec 2019
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
Total, din care:	7,308,961	8,368,104
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.

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:

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

Debt	30 sept 2020	31 dec 2019
Key managemnt	38,208	-
Total	38,208	-

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

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.