

Key information

Key results, historic results, thousand RON:

	Revenue	Operational Profit ²	Net Profit	Operational Cash Flow	Assets	Cash	Capital	Mkt. Cap.
2014	8,180	582	115	394	5,428	813	865	7,896
2015	9,993	1,608	889	471	8,253	3,008	1,920	8,108
2016	13,667	1,929	870	-1,768	10,446	2,355	3,100	21,418
2017	27,682	2,743	1,206	373	30,898	11,060	5,961	31,941
2018	47,891	1,319	4,408	3,397	59,069	13,048	14,001	55,530
2019	99,750	838	-2,631	8,502	88,462	20,824	12,372	112,717
2020	108,617	4,313	52	8,099	99,915	24,861	27,575	157,586
CAGR	54%	40%		66%	62%	77%	78%	65%
YoY	9%	415%		-5%	13%	19%	123%	40%

Historical growth rate compared to BET-XT market index evolution

Growth rate / Year	Revenue	Assets	Capital	Mkt Cap	BET-XT Index
2015	22.16%	52.04%	121.97%	2.68%	-3.88%
2016	36.77%	26.57%	61.46%	164.16%	3.05%
2017	102.55%	195.79%	92.29%	49.13%	15.18%
2018	73.00%	91.17%	134.88%	60.58%	-8%
2019	108.29%	49.76%	-11.63%	93.78%	31.86%
2020	8.89%	12.95%	122.88%	20.63%	-3.91
Average	58.61%	71.38%	86.97%	65.16%	5.64%

² Annex 1 for the definition, calculation method and relevance of the alternative performance indicators used in the report

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Letter from the CEO

2020 was a challenging year for companies around the world. Despite this, we are grateful that for fiscal year 2020 we keep our tradition and say, again, that we had the best year in history, achieving a solid financial performance marked by an increase of about 9% in consolidated revenues to RON 108.6 million, a 20% increase in the gross margin generated and, an increase of over 5 times the operating profit compared to 2019 - from RON 838k to RON 4.31 million. The consolidated net result of the Group increased by almost RON 2.7 million, becoming profitable again. 2019 is therefore the only year in history when this indicator had a negative value.

In a year in which most of the companies were either severely affected, partially or totally shutting down their activity, or having their turnover decrease by 10-20%, our Group achieved an operating cash flow of over RON 8 million, as in 2019, which, combined with access to the capital market, allowed us to apply Warren Buffet's suggestion to be brave when others are afraid. Therefore, in 2020 we made new investments in businesses, worth over RON 10 million, and we already start to feel the positive effects of these decisions in 2021. In addition, we also strengthened our financial position. In 2020, we managed to consolidate our "financial fortress" ending the year with almost RON 25 million in cash, compared to 21 million last year.

2020 marks the end of a decade in which the company has grown over 50 times, becoming the market leader in most segments in which it operates, but also the first IT company listed at Bucharest Stock Exchange. Starting with 2020, our shares are traded on the Main Market and we are part of relevant indices such as BET-XT. This week, FTSE Russel announced the inclusion of BNET shares in two global 'micro-cap' stock indices.

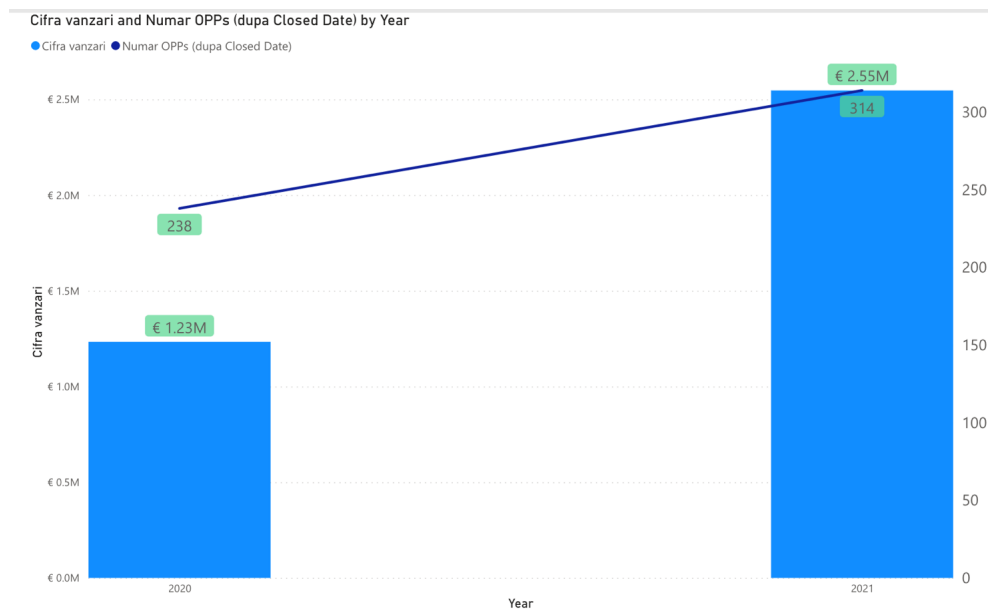
As Bill Gates said, „most people overestimate what they can do in a year but underestimate what they can do in 10 years“. We thus look with confidence to the next period that will be marked by the transition to an increasingly digital economy, in which the winners will be the states and organizations that will succeed in reinventing themselves digitally as quickly and as much as possible.

In many ways, last year was a test of maturity for our team, for management in general, for our plans to become a regional digital player for medium-sized entrepreneurial companies in the CEE. Looking back over the last 10 years, we believe that we have had an extraordinary journey and we would like to thank those who have been with us all this time - colleagues, investors, business partners and last but not least customers.

Just as bridges are subjected to extreme endurance tests before inauguration, so has 2020 been - a sum of endurance tests for Bittnet Group. I am happy to tell you that we have passed these tests well and our Group is more financially and operationally ready for a new cycle of accelerated growth, adapted to the new business reality, to the new challenges and local and international market opportunities. We have a mature and experienced top management team that has overcome the resilience test of recent years.

From an operational point of view, the Group works better in the new dimensions and we will always continue to improve all aspects where we can make a difference, and as proof stands the fact that in total, we generated business of almost RON 140 million during this difficult year. A part of these projects will be delivered only in 2021, partly due to delivery delays generated by lockdowns on the international supply chain in case of deliveries of hardware equipment, and partly due to the December elections in our country, which generated delays in various procurement procedures.

On the other hand, the fact that some of these projects could not be delivered during 2020 only strengthens our confidence in the future - these revenues will be added to those to be generated in 2021. As showed in the following chart, the year started strong, sales generated in January 2021 being double compared to last year, which motivates us to enter with great ambitions this year.



Sales generated in January 2021 are double compared to the same month last year

Future perspectives

Looking to the future, we believe that a period of several years will come with the unprecedented acceleration of digital processes across the economy, without major political events, and we are confident that we will continue to see significant revenue growth:

- for the **education division**, as employees, in order to better meet the needs of the market, are in a continuous process of professional retraining. In this sense, the programs and initiatives on our agenda such as the national reconversion project CTRL+N or the international platform DevOps Artisan were launched in advance and today, we are better positioned to respond to the needs in the area of digital skills development.
- for the **technology division**, as organizations continue on their path to digitalization, forced to adapt to the new context with funding either from their own resources or from accessing government programs backed by EU funding for digitization. The Confidex study for Q4 2020, recently published by Impetum Group, which analyzed over 700 companies with businesses of over EUR 1 million, shows an increased attention to digitalization, investments to increase productivity, but also the implementation of work from home in proportion of 50% - in the case of more than half of the companies.

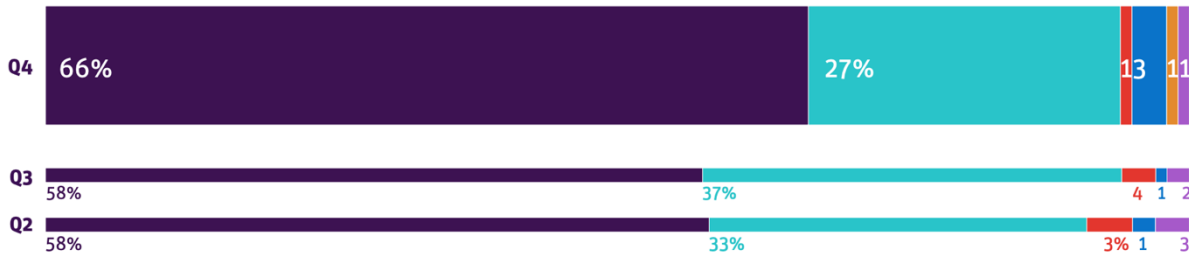
Managerii sunt mai preocupați de creșterea productivității.

Scăderea costurilor, pe un trend descendent

❗ Care dintre următoarele afirmații e mai aproape de opinia dvs. cu privire la strategia companiei în următoarea perioadă?

ar trebui să creștem productivitatea, chiar dacă asta presupune investiții, pentru a putea fi mai competitivi pe piață

- altceva
- ar trebui să creștem portofoliul de clienți, o nouă abordare a clienților
- ar trebui să investim în marketing (piețe, produse noi)
- ambele
- ar trebui să reducem costurile, pentru a putea supraviețui acestei perioade



IMPETUM GROUP

The initiatives launched in 2020 will continue in the coming years at a pace at least as fast, due to the fact that the digital transformation is an ongoing process that brings financial and operational benefits after each stage implemented. Thus, companies are aware that each step of digital maturity means better financial performance, the ability to achieve efficiency and operational control and a higher degree of customer satisfaction. Therefore, as our clients' financial results improve, we estimate that their interest will continue to grow for new technologies. In addition, the measures adopted by the Government support the direction of digitalization as a pillar of economic recovery.

2020 has demonstrated how important digital assets have become to our economies and how networks and connectivity, data, artificial intelligence, and basic and advanced digital skills support our economies and societies, enabling work to continue, tracking the spread of the virus and accelerating research of medicines and vaccines.

As the Digital Challengers report prepared by McKinsey shows, the CEE region has an additional potential for digital growth, and Romania has a considerable role in this context. We are among the regional leaders in terms of digital infrastructure and its accessibility. We have a vibrant technological ecosystem, with two unicorns, a wide range of talent and a significant percentage of digital service users.

According to the DESI Index conducted by the EU since 2014, which measures the degree of digitalization of European companies and economies, Romania ranks 26th out of 28 member countries, which means that we have a long way to go to catch up European average. Therefore, I have stated publicly on several occasions that "digital infrastructure" should become a national priority for any Government of Romania to support economic recovery and to transform Romania into a European economic power. Both Romania and the other countries in the CEE region have a great potential to reduce the gaps with the advanced economies of the EU.

At the level of Bittnet Group, we have launched a series of initiatives aimed at both the size of human capital and the integration of digital technology by companies (2 out of 5 pillars measured by DESI):

- On December 1st, 2020, we launched the CTRL+N professional reconversion program. Today, less than a year after the public announcement of the intention to develop this program and less than three months after its official launch, we are happy to provide 30 courses with help of 5 of our trainers. So far, 82 Romanians have subscribed to courses, some of them through the scholarship program launched with our partners, others funded by their companies or even using personal sources, understanding the need to learn new skills and prepare for tomorrow's jobs. Following the extensive communication campaign carried out for this project, we expect a steady growth of students during 2021.
- We started, together with major technology partners such as Microsoft but also with business partners such as Raiffeisen Bank, Banca Românească, Eximbank, ProCredit Bank, programs for the digitalization of entrepreneurship in Romania. These steps started in 2020 and will hopefully continue in an accelerated way in 2021. An extremely important aspect is the alignment of these steps of the technology division with the National Recovery and Resilience Plan - respectively the digitization programs for SMEs.

An extremely important project that started in 2020, and which will continue in 2021, is the rethinking of business processes and modeling of IT platforms, to support them depending on the buying journey of our customers. This allowed for a closer analysis and understanding of how they buy, the steps they take in the buying process and the reasons why they work with one supplier or another. In this way, we become aligned with our customers, we increase the value we can bring, while managing to improve operational efficiency parameters (conversion rates from prospects to customers and finally to loyal and recurring customers). Moreover, it allows us to attract new customers in a more structured way in the new business reality ("low touch economy").

We aim for a profitable, sustainable and accelerated growth and this can be achieved by focusing on customer segments where we already have a high profit rate, correlated with a higher profitability percentage.

The widespread concern for reinventing the business model at the level of each organization, pursuing and adapting successful models of SaaS companies (subscription based, Software as a Service) has led to multiple changes in the way we prospect new customers, in the way which we serve and make sure we deliver what they want and finally, in the way we turn them into loyal and recurring customers. The upgrade of IT platforms to track these processes started in 2020 and will continue in 2021.

Starting from this point, the changes spread to the marketing team in the priorities and tools adopted but also to the business development team or even to the emergence of new teams dedicated to customer success.

An increased attention has been to attracting and developing human capital by operating in a service business where the value of human capital is essential for medium-term success.

To support these transformations and to maintain the DNA of the organization, we rethought the way we attract, recruit and onboarding new colleagues so as to increase the degree of belonging to the business values we believe in. Starting with 2021, we manage to improve the leadership academy based on which we will build key skills at the level of the entire organization, offering career development paths to the best of our colleagues.

Growth through M&A projects

If so far I have explained about the organic evolution of the group and the continuity of plans aimed to become a better organization, I still want to bring to the attention of shareholders the M&A activity that comes to support BNET's plans to become a regional digital player for entrepreneurial companies in the Central East Europe.

During 2020, we formed a team of external consultants with whom we started a systematic process of prospecting possible investment targets and on the occasion of the GMS of 26.11.2020, the shareholders approved the first 4 transactions in Romanian companies with growth potential that complete the offer of digital transformation of the group. By the time this report is published, we have already completed 3 significant transactions for the group's development since 2021:

- The acquisition of most of **Equatorial Gaming** shares so that we reached a proportion of 99% of the company, in order to fully integrate operations into Bittnet Education, once validated that the model is correct and that the team shares our values; You can read more [HERE](#).
- Entering the shareholding of the educational services company **The eLearning Company** - which instantly expanded the product portfolio with trainings in eLearning format but also that of customers, to whom we can now propose more complex solutions, based on the UXI platform and our "core" trainings. You can read more of this M&A project [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 start this journey right. You can read more about this investment project [HERE](#).

On the other hand, in October 2020, we participated in the private placement for **Safetech Innovations** shares (BVB: SAFE) where, due to the high degree of oversubscription, we were able to place only an amount of approximately RON 300 thousand in investment. So far, our investment has brought a yield of 700%. Although we consider that the field of cybersecurity is relevant both for our activity and for the future, the small size of the amount invested does not allow us today to treat this investment other than as a financial investment in tradable liquid assets.

We estimate that during 2021 the M&A activity will be intense so that we will bring to the attention of investors in general meetings a series of investments both in Romanian companies and in EU companies, in line with the international expansion plans previously communicated.

We reaffirm the belief that the acceleration of the digitalization of entrepreneurial companies is the engine of economic development in Central and Eastern Europe and we want to play a key role in this process. Therefore, at the BVB Main Market event, we publicly assumed the intention to reach a value of the BNET group's turnover of EUR 100 million in the next 4 years.

2020 on the Capital Market

From capital market journey point of view, the major event in 2020 is the transition to the Main Market, on June 3rd, thus marking the beginning of a new stage in our group's development. After the first month of trading, we found a doubling of the daily liquidity compared to the AeRO-SMT market, but also the appearance of 3 investment funds as our shareholders, together with 3 other investment companies.

The increased liquidity of BNET shares meant that, only 3 months of trading on BSE Main Market, our group's shares were included in several indices: BET-XT, BET-XT-TR, BET-BK, as well as in , extended main BET index - BETPlus. The inclusion was made by the BVB Indices Commission starting with 21.09.2020. Additionally, starting with March 2021, according to the announcement made by FTSE Russel on February 22, 2021, BNET shares are also included in two global indices: FTSE Global Micro Cap and FTSE Total-Cap.

In 2020, the average daily value of transactions with BNET shares amounted to approximately RON 224K per trading day, increased 25% compared to 2019. The total value of transactions amounted to RON 56 million for a volume of almost RON 63 million BNET shares, which represents 27% of the total shares registered on December 31 (and 39% of the free-float). As at the beginning of the road on the AeRO market, the volume expressed as the number of transactions paints an additional picture of liquidity and investor interest: transactions with BNET shares represented 3.6% of the total number of transactions on the Regulated Market.

Market capitalization of BNET appreciated by 22% during 2020, and for the investors who participated in the capital increase from March-April 2020, the yield was 40%. **It is the fifth consecutive year in which the investment in BNET shares far exceeds the investment in the market index.** At a cumulative level, from 2015 until now, there is no other investment on the Bucharest Stock Exchange, more profitable than BNET. At the end of 2020, the company had over 2,500 shareholders and a market value of RON 159 million.

During 2020, we continued to carry out market operations as in previous years, both by capitalizing on existing resources and by attracting funds through capital increases:

- A capital increase with new cash contributions (February - March 2020) - we raised RON 9 million through the capital market mechanisms, representing a 100% subscription, in the full context of crisis on international stock exchanges. The capital was used for M&A investments and the strengthening of the company's financial position. We are grateful to all the investors who gave us their trust during that period and wish them prosperity with us in the long run.
- A capital increase with 7 free shares for every 10 shares held (July 2020).
- A capital increase with 1:10 treasury shares and cash distribution to shareholders who have opted for it (July - December 2020).

You already know about our concern for improving the relationship with investors and the commitment to set new standards in the capital market regarding access to information and the degree of transparency with which we choose to conduct our business. Therefore, we aim to become the most digitalized issuer on the capital market and in line with the principles of the European Directive on Shareholders' Rights, but also based on our principles of transparency and openness to shareholders. In this regard, in 2020:

- we have constantly improved the website for investors, which contains much more resources than are published on the website dedicated to our shares. If you have not yet done so, we invite you to visit it here: <https://investors.bittnet.ro>;

- we have made efforts to increase the number of newsletter subscribers through information campaigns. If you do not yet receive our newsletter, you can subscribe at: <https://investors.bittnet.ro/ro/abonare-newsletter/>
- we dedicated time and resources to social media channels and dedicated investor groups where we tried to address all the questions received;
- we organized the information presented in the quarterly and annual reports so that it was easier to navigate, to which we added info charts to make it easier to remember;
- we have activated the web traffic analysis offered by Google to better understand which web pages are more relevant to those who read our reports and we have decided to focus on the wider development of this content;
- we have successfully organized, in virtual live format, the General Meeting of Shareholders during the year as well as the events for investors and analysts. In particular, at the GMS of 26.11.2020 we made available to our investors an electronic voting application in partnership with eVote and we recorded the GMS in which most shareholders participated, over 240, a new maximum registered by BNET;
- we continued, even in the pandemic context, our main event - Bittnet Investor Day, where we addressed all the questions received from investors;
- we participated in international roadshows with institutional investors from all over the world who were interested in exploring the opportunity to invest in the only IT company listed on BSE's Main Market;
- we have launched two new tools for shareholders that we consider to be very relevant in better understanding the functioning of our group, but also the investment opportunity, and why the long-term investment is valuable:
 - **Financial results tool:** interested investors can check what effect various assumptions about increasing / stagnating / decreasing income or expenses would have on the financial results of our group. The tool is available online at: <https://investors.bittnet.ro/ro/modelare/>;
 - **Investment return tool:** investors can test the historical return of Bittnet shares, between any time between April 2015 and the present, being able to observe for themselves how an investment would have evolved at any time. It is available at: <https://investors.bittnet.ro/ro/calculator-investitie/>

2021 on the Capital Market

We started this year with a discounted capital increase operation for investors. Stage 1 of the subscription lasted 30 days and ended yesterday. During this period, we registered subscriptions worth RON 10.2 Million. A private placement follows to sell the remaining 819.408 shares, and then the trading of BNETR09 allocation rights, until the registration of the capital increase at the Trade Register, FSA and the Central Depository.

The next capital market operation is a public offering of preferred shares, according to the approval received from shareholders at the General Meeting in November 2020. Thus, investors in these shares will receive a preferential dividend of 5 to 10 bani per share, without the right to vote. The amounts raised through this operation will be used for the early buyback of the bonds issued by the company in 2017 and 2018, so that the amounts previously paid as interest will be available to be distributed to the preferred shareholders. The company will thus reduce its indebtedness rate and financial expenses, recording a gross profit in the future closer to operational profit.

The capital raised in the two operations will be allocated to the objective of reducing the degree of indebtedness taking into account the cash requirement for M&A operations in the next period and in the conditions of continuing to generate positive cash flow from operational activity.

As in previous years, we will propose to shareholders the distribution of free shares, we estimate in a proportion of 7 free shares to 10 shares held. Details of the procedure, as well as the allocation ratio, will be announced in the convening notice for the General Meeting of Shareholders scheduled for April 27, 2021, which will again be held completely digitally, using the eVote solution.

With the ongoing capital increase operation associated with the issuance of preferred shares, we will have a significantly strengthened financial position of the company, much more suitable for the business scale we have reached, directly rewarding investors for their trust in a more attractive way from a fiscal point of view. And better representing the global profitability potential of the group.

In conclusion, we ended the year 2020 satisfied with the results generated at the group level in the context of high volatility and general unpredictability. The results obtained in January 2021, double those recorded in January 2020, give us confidence that we will continue this year the strong accelerated growth with which we have accustomed so far to all our investors. For 2021, our goal for turnover is over RON 150 million, which will generate a tripling of operating profit. This document includes for the first time the indicative budget for 2021.

We invite you to read in details about the results of our Group in the following pages or sections, if you are browsing a digital version of our financial report. As always, we remain open to receive your feedback or to answer any questions at email: investors@bittnet.com.

Mihai Logofătu,
Cofounder & CEO Bittnet Group

New Group Structure

During 2020 and the beginning of 2021 we negotiated and implemented 3 new M&A investments. Thus, the current structure of the Group contains 6 companies:

- Bittnet Systems SA (CUI 21181848): the parent company of the group, listed on BSE. It carries out the holding activity plus the IT Training activity, being the undisputed leader of this market in Romania. Revenues in 2020: **RON 12 million**
- Equatorial Gaming SA (CUI 30582237): currently owned 99% by Bittnet Systems, it is a game-based learning company that offers software training for the IT industry, both in the classic and gamified form. Revenues in 2020 amounting to **RON 1.14 million**, are not included in the consolidation because, during 2020, the package of shares in the company varied from 25% to 45% and up to 99%. Therefore, only the influence of gain / loss securities placed in the equivalent on profit.
- The eLearning Company SA (CUI 30760571): owned 23% by Bittnet Systems, is an entrepreneurial company that offers eLearning courses for companies. Founded in 2012, it registered in 2020 a doubling of revenues up to **RON 2.2 million**. The results of The eLearning Company for 2020 are not included in the consolidation in any way.
- Dendrio Solutions SRL (CUI 11973883): the only multi-cloud integrator in Romania, a certified partner at the highest standards by Cisco, Microsoft, Google, Amazon Web Services, but also many other vendors, is the company that brings together IT&C integration activities from Bittnet, Gecad Net and Crescendo. Revenues in 2020: **RON 91.7 million**.
- Elian Solutions SRL (CUI: 23037351): Gold certified partner by Microsoft for ERP solutions, a company founded in 2008 and 51% owned by Bittnet. Revenues in 2020: **RON 5,24 million**.
- Softbinator Technologies SRL (CUI: 38043696): a product development company, specialized in the design, development and launch of software products mainly in the fields of Fintech, MedTech / HealthTech and EdTech for customers in Europe, North America and Asia, in which Bittnet Systems became a shareholder in December 2020. Softbinator has had a growth rate of 100% in recent years, recorded in 2020 revenues of **RON 12 million**. The figures for 2020 are not included in the consolidation in any way.

Technology division in 2020

	31-Dec-20	31-Dec-19	Evolutie
Revenues from contracts with clients	96,575,966	86,919,239	11.11%
Revenues from the provision of services	19,273,343	14,290,146	34.87%
Sale of goods	77,302,623	72,629,092	6.43%
Cost of sales	82,821,810	76,576,645	8.16%
The cost of selling goods / materials	(68,431,366)	(64,551,308)	6.01%
Cloud Services	(5,178,219)	(1,863,093)	177.94%
Human Resources	(9,212,225)	(10,162,244)	-9.35%
Gross margin	13,754,155	10,342,594	32.99%
Other incomes	147,984	153,919	-3.86%
Sales / distribution expenses	(5,256,621)	4,510,037	16.55%
Human Resources	(4,690,387)	(3,936,580)	19.15%
Advertising	(566,234)	(573,457)	-1.26%
Administrative expenses, out of which	(5,778,445)	(7,482,289)	-22.77%
Human Resources	(3,335,510)	(4,024,156)	-17.11%
Amortization	(1,328,914)	(1,183,277)	12.31%
Other third-party services	(551,355)	(686,032)	-19.63%
Operational Profit (EBIT)	2,867,073	-1,495,813	

While the pandemic introduced a real systemic shock in all the world's economies, this shock was felt significantly differently from industry to industry and from company to company. In this difficult context, the ability of companies to adopt technology has, in many cases, made the difference between companies that have managed to overcome difficult times and those that have had to reduce and even close down.

According to the latest McKinsey study, "[Digital Challengers in the next normal](#)" - across the whole of Central and Eastern Europe (EEC), there has been an acceleration in the growth rates of digital economies. Practically 78% of the increase registered in 2019 was achieved in 2020 in the first 5 months.

Although in most cases the measures taken by companies were aimed at solving one-off problems in the short term (online labor migration, solving access to systems and data, securing platforms) - on the principle of urgency and without planning adequate budgets - we expect 2021 to mark a consolidation of these online communication systems / platforms / channels.

There was also a significant trend of digitalization of services to consumers - according to the same study at the EEC level - almost 12 million new users accessed online services (banking, e-commerce, public services); many of these new users have started accessing services through online platforms for the first time, and 70% of them intend to continue using them. This change also has a cultural (profound) dimension - the segment with the highest increase in the use of online services is that of the population over 65 years.

During 2020, several directions were felt that influenced the evolution of the technology division of the Bittnet Group and that will make their presence felt in the following years:

- Companies that have a clear digital development / transformation strategy are the first to overcome the crisis phase and start reaping benefits in the short and medium term;

- Additional pressure has been created on companies in the SME segment that invest significantly less in the digital area; in conjunction with the funding programs announced by the government and the European Union, we believe that this segment will enter a significant upward trend in the coming years (trend started at the end of 2020);
- The potential for technology services remains significant in Romania - according to the DESI index, we are at the bottom of the ranking in terms of technology adoption and integration. Financing programs and the pressure to increase competitiveness can create real premises for an accelerated growth of the Romanian IT sector.

In the context of a national economic contraction of [3.9%](#) in 2020, the technology division of the Bittnet Group recorded an increase in revenue of over 11%, an increase in gross margin of 33% and an increase of over RON 4 million in operating profit (from RON -1.5 million to RON +2.5 million). Also, both Dendrio Solutions and Elian Solutions recorded significant increases in the number of projects developed and delivered during 2020.

Dendrio

2020 was still a year of growth for Dendrio Solutions (over 10% both in terms of revenue and gross margin, generating an increase of over 3 times the operating profit) but we can say that the business dynamics was different from previous years:

- The global health crisis has led to a significant impact on the production and distribution chains of hardware equipment - at the end of the year the main partners producing hardware equipment with closed production units or with reduced production. This led to the impossibility of Dendrio to deliver certain projects during 2020 - contracts worth almost RON 5 million and generating an additional profitability of over RON 800k to be delivered during 2021.
- This effect was also amplified by the parliamentary elections at the end of the year, which led to delays in signing certain contracts in the public space, respectively to delays in the conduct of contracts. Such a significant project, worth RON 22 million, which was awarded to Dendrio in November 2020, was signed in final form only in January 2021.
- Even in this complicated global and local context, the 4th quarter remained the strongest quarter of the company, without entering the seasonality of recent years.

From the perspective of **Dendrio integration projects**:

- We managed to deliver a 20% higher number of projects, in exceptional conditions, restricting travel and reducing resources as a result of quarantine procedures.
- The higher volume of projects also led to a significantly higher load in the whole team, which led to an increase in operational profitability;
- Significant projects in national communications infrastructure were delivered;
- We started the implementation of the first Application Centric Infrastructure project based on advanced concepts of Software Defined Network;
- We have continued to expand our collaboration with telecommunications operators - a direction we believe will continue to develop in the coming years;
- During 2020, we completed two projects with service delivery at the regional level and won a third such project that will - due to international travel restrictions - be implemented during 2021.

Strategic partnerships

We started, together with major technology partners such as Microsoft but also with partners in the business environment such as Raiffeisen Bank, Banca Românească, Eximbank, ProCredit Bank, programs for the digitalization of entrepreneurship in Romania. These steps started in 2020 and will continue, we hope, in an accelerated way - and in 2021. An extremely important aspect is the alignment of these steps of the technology division with the [National Recovery and Resilience Plan](#) - respectively the digitization programs for SMEs.

Although we are at the beginning of 2021, we can say that the interest of SME companies for these digitization programs funded together with the European Union is significant: over 200 such companies have already interacted with this ecosystem in which funding comes to support the need for companies to and increase productivity through technology.

Subscription economy = the new old economy

We believe that in 2020, including the Romanian market, it has made a significant leap in the direction of adopting technology as an important factor, both to ensure business continuity and to ensure future growth. The use of technology on agile principles, from the cloud, as a service, is becoming a fact. During the second half of 2020 we delivered over 20 such technology adoption workshops and starting with 2021, we created a dedicated team for Customer Success, at the level of the entire company.

Elian

The year 2020 was a year of growth / reorganization for Elian and, looking at the numbers, we can say that it was the best year in the company's history. Elian generated 12% more business, but 44% more gross margin than the previous year. Referring to 2019 and taking into account the 3 business lines that the company has, the figures look as follows:

1. **Implementation services:** 53% increase by strengthening the team with senior resources. As a result, we delivered implementation services faster and to a better quality standard. It is the first year in which the volume of invoicing from services (where the company has the largest margin) is compared to the sale from licenses. Until 2019, the head tractor in business was the sale of licenses. The balance of the two business lines marks the transition to large implementations for companies with complex business, in various areas of activity: public services, agricultural production, textile production, cable production, retail, distribution.
2. **Licenses:** in total we have a decrease of 8%, but with the reconfiguration of the share between the sale of licenses on cloud versus the sale of licenses on premises. If in 2019 the share of sales on premises was 76% versus 24% in sales on the cloud, in 2020 we have an increase of 10% for the cloud, the final figures showing as follows: 66% licensing on prem, 34% licensing on the cloud. As on prem licensing is a one-time sale, and on cloud licensing the sale is recurrent, in the medium and long-term keeping the licensing volume with recalibrating the weights between on prem licensing and on cloud licensing, actually means recurring business growth, the business direction agreed through the partnership with Microsoft.
3. **Support services for existing clients in the portfolio:** the figure is comparable to that of 2019, but in the following market conditions:
 - a. In pandemic conditions / COVID-19, most customers were in the cost cutting area for recurring services.
 - b. In the current support activity for the clients in the portfolio, the cost cutting part was reflected in the time & material contracts. For the support contracts with the number of hours included

per month, we had an increase by passing the implementations completed in support, thus compensating the decrease of activity from the time & material type contracts.

In conclusion, as with the sale of licenses, the decrease or in this case the stagnation in figures actually means an increase in the area of recurring business.

At the project level, the year 2020 marked the closure of large projects, complex from a business point of view and implicitly implementation, covering all operational flows: we can mention here companies Impetum Group, Ivatherm, Pandora, Chopstix, Supercom, RDF, RC Europe, companies that will support in the first quarter of this year. What is to be pointed out in the 2020 implementations is that they helped us to consolidate our ERP solution verticals for the agricultural production, textile production and retail business, but also to build / consolidate a portfolio of Elian products under our own license: we are talking here about the retail add-on, real estate services, the ClockIn-ClockOut application for tracking production activities in the production hall and last but not least, the location of the system.

As for the team, the year 2020 came with 3 big challenges:

- preparation of projects in work-from-home conditions,
- appointment of 2 new team leaders for the development / implementation teams and
- integration of new resources into teams.

The teams grew as follows: 2 development resources, 3 implementation resources and one support resource. It was a continuous process of reconfiguring the internal work procedures, the implementation methodology and the stages that a new resource goes through in order to be able to integrate in the team, being able to say that at the end of 2020 and beginning of 2021, these stages have been completely completed, are 100% stable organizationally and functionally, giving us the opportunity to focus our efforts on the development of recurring business, road started in 2018 and consolidated in 2019.

Softbinator

The year 2020 brought again a **doubling of the company's turnover** (from RON 6 million to over RON 12 million), a situation that is repeated every year since 2017. The increase resulted from the sale of services almost exclusively abroad, with especially in the US and Israel - two of the most powerful technology hubs. If in previous years it was delivered to customers in the US, Israel, in the last year, in addition to the strong consolidation in these markets (increase by over 50% compared to last year's sales in each country), the company attracted customers from new regions - ASIA - Singapore, Great Britain and Germany.

Regarding the industries for which the company is involved in product development, Softbinator Technologies has continued to deliver web and mobile solutions for digitizing the education process, lifestyle / medical and health, e-payments, e-commerce, online gaming and ticked **in 2020 areas not explored in previous years through digital banking (including crypto), Internet of Things (IoT), Automotive** and explored a new vertical in e-commerce expertise: **marketplaces**. For the company, it was certainly the year of blockchain and the growth of know-how in solutions based on artificial intelligence, thus continuing the direction in recent years to stay very close to areas with high potential and where it can innovate rapidly. This strategy of addressing only customers who are software dependent and in turn deliver technology to end users as a business model has not only maintained a secure position of accelerated growth, but pushed the company out of the risk of being affected. the negative effects of the pandemic.

Also in 2020, Softbinator Technologies strengthened the company's mission - "We build tech for humanity" by contributing to a round of investment in the Yummdiet lifestyle platform, led by local fund Simple Capital.

Regarding technical expertise, in addition to the consolidation and constant migration to the latest stable versions of technology stacks already used in recent years (**Java, .NET / C #, PHP, NodeJS, Python, React, Angular, MySQL, SQL Server, Oracle, MongoDB, NodeJS, Kotlin, Swift, ReactNative**), new languages, technologies and architectural approaches have been added to the skills matrix of in-house teams.

- **Flutter** (an alternative launched by Google, already mature and with a high adoption for the development of cross-platform mobile solutions).
- **Golang** (modern language that has recently become very popular with the speed with which web services / microservices can be developed).
- **Solidity** and **Python** for blockchain / crypto (creation of solutions based on smart contracts using **Ethereum**, scalable solutions that serve real-time cryptocurrency exchanges).
- **IoT** (fault-tolerant architectures, real-time communication with WebRTC).

Softbinator Technologies thus continues to be both a versatile vendor for the development of solutions based on cutting-edge resources, and an attractive destination for developers eager to work with the latest technologies used in web, mobile, blockchain and IoT. The solid know-how in these topics led, beyond the developed solutions, to the delivery of **courses and trainings for other companies in the industry, together with the education division of the Bittnet Group**.

In 2020, although it was a year of remote work, which made the process of attracting talent more difficult, the company managed to maintain a high retention rate and double the total number of employees and collaborators, **from 37 to 76**. Also last year, due to the high interest of graduates in the final year, the places in the internship program were supplemented, being the largest volume in recent years.

The relationship with academia and programming communities has expanded:

- 13 employees participated as experts in the field together with tenured professors in laboratories and courses of the profile faculties in Bucharest and Constanța in the two semesters.
- Partner and sponsor for the largest entrepreneurship program for students - Innovation Labs.
- Sponsor for the third consecutive year in the "ANIS Scholarships" competition for innovative faculty with the award for the best course for the development of knowledge in medical technology.
- With the support of the company and other sponsors, the NGO Softbinator Association continued to organize events for programmers, reaching in 2020 over 140 meetups and over 300 unique speakers.

Regarding the distinctions obtained, Softbinator Technologies received from the Senate of the University of Bucharest, the award "**Employer of the Year 2020**" and was recognized for its intense activity for the benefit of the IT industry by ANIS (Employers Association of Software and Services Industry) the title of "**ANIS Member of the Year**". Also in 2020, the company is appreciated on the most watched platform for employees in Romania - **Undelucram.ro** - **as a top employer, 4th place** both in the general ranking and in the ranking for IT - being, in fact, **the most appreciated company 100 % Romanian from the top**.

Education Division in 2020

	31/Dec/20	31/Dec/19	Evolutie
Revenues from contracts with clients	12,040,619	12,830,590	-6.2%
Cost of sales	(4,799,648)	5,618,785	-14.6%
The cost of selling goods / materials	(878,855)	(967,339)	-9.1%
Human Resources	(3,920,793)	(4,651,446)	-15.7%
Gross margin	7,240,971	7,211,805	0.4%
Other incomes	301,070	503,815	-40.2%
Sales / distribution expenses	(2,709,403)	(1,909,224)	41.9%
Human Resources	(2,135,742)	(1,532,266)	39%
Advertising	(573,661)	(376,958)	52%
Administrative costs	(2,853,647)	(3,472,371)	-17.8%
Out of which:			
Human Resources	(1,232,384)	(1,132,317)	8.8%
Travel and transportation expenses	(7,476)	(41,327)	-81.9%
Amortization	(665,063)	(1,105,193)	-39.8%
Other third-party services	(406,643)	(433,483)	-6.2%
Receivables adjustments	(112,459)	75,482	-249.0%
Others	(235,170)	(489,880)	-52.0%
Operational Profit (EBIT)	1,978,991	2,334,025	-15.2%

The Education Division had a 2020 marked by the impact of training budget cuts or freezes on a large part of our traditional customers. The impact of these reductions was felt differently in the two companies, Bittnet Training registering a minor decrease of 6% in turnover compared to 2019, compared to Equatorial which registered a significant decrease of 60%.

Winston Churchill is credited with the line "Never let a good crisis go to waste" and this is what we have tried to do throughout 2020. That is, we have focused on the elements that we can control, namely:

1. improving the operational efficiency of the business, increasing the gross margin to 64% in the case of Bittnet Training and to 60% in the case of Equatorial;
2. generating new projects to increase our sources of income in the future, starting with a structured approach to international markets through the [DevOps Artisan](#) project and the partner channel, entering the IT retraining market through the [CTLN+N](#) project and acquiring a stake in The e-Learning Company, a company that has the exclusive use of SkillsSoft content, the largest e-Learning manufacturer in the world;
3. restructuring teams and rethinking the business process in a more specialized and purchasing-oriented approach (Buyer Journey).

This crisis, in addition to testing our resilience and effort, helped us to rediscover ourselves as a team and strengthen our camaraderie and relationships. Adding the need to develop digital and human skills that most organizations became aware of with the crisis, we are confident that the next 3-5 years will be prolific for the Education division, and we will resume the process of sustainable growth we have had until last year.

Bittnet Training

DevOps Artisan

- we signed a contract with global supplier PearsonVue for an initial period of 3 years of production and distribution certification exams. Starting in December 2020, 3 of the Associate level exams are available for programming on the official PearsonVue website, both in accredited physical testing centers and in the online proctoring system.
- the first 3 Associate level exams in the project were created and launched, these can be scheduled with support in an accredited testing center but also in an online proctoring system through www.pearsonvue.com
- we started the construction and development of the DevOps Artisan partner channel but also of the brand identity of the brand so that, at the end of 2021, through 3rd party platforms, each partner in the DevOps Artisan channel will be able to accredit trainers, order manuals and course laboratories and deliver in the local language.

CTRL+N Project

- was officially launched in December 2020 and we have assumed the 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 is accessible in on-demand format, provides Q&A support and virtual or live meetings, connecting participants with instructors in the program.
- the price of the program is extremely affordable and, through the system of scholarships sponsored by the program partners, we aim to support participants with the right skills, the desire for improvement and seriousness but who cannot afford it.
- the program currently has 30 lessons launched, over 80 participants enrolled, and over 30 scholarships offered, another 50 scholarships being opened in January that will be allocated according to the selection processes carried out.
- the first 4 specialization tracks were launched and in December, the first major official partner of the Microsoft Romania program, supported the development of the Azure Technician program but also of some Digital Transformation modules.

Microsoft Campaign:

- the largest vendor in Bittnet Training's portfolio, it has maintained its position as a top vendor in 2020 and through major skilling and certification projects in Microsoft, Bittnet ranks 1st in the ecosystem of local Microsoft education partners.
- the cloud skilling area was the major focus of 2020 when, and through the skilling campaigns carried out globally, at Bittnet Training, over 750 participants benefited from training and certification support.
- as part of the Leading Learning Partners Association, 2020 brought us globally the title of Microsoft Learning Partner of the Year, rewarding the investment and major achievements that each of the local LLPA (Bittnet in Romania) representatives had in the area of cloud skilling.

Other vendors:

- In 2020, through the global reorganization of the Oracle vendor, Bittnet was licensed by Oracle University Authorized Partner, integrating into a new delivery model launched by Oracle University, more

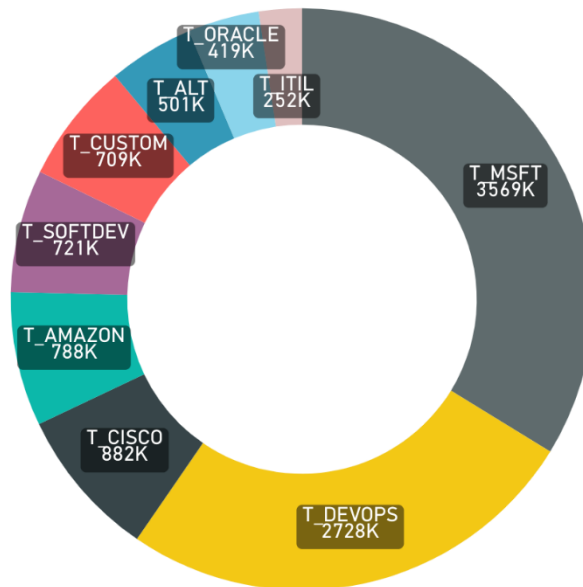
advantageous in terms of revenue and margin and more flexible in view organization sales and delivery process.

- in 2020 we started the construction of our own delivery solutions in the cybersecurity area and we added to the product portfolio training programs from CompTIA and EC-Council, the largest accredited providers of training and certification programs in the cybersecurity area.
- Regarding the seller Amazon Web Services (AWS), in 2020 through its funding programs, over 128 participants with AWS partner status participated in AWS skilling and certification programs. Following the need for correct identification, to analyze and report the need for learning in companies, in 2020 we worked with the vendor to position a new tool built with a focus on “Learning Need Analysis” in organizations that use AWS technology.

Delivery:

- we continued to develop and improve LMS and content repository (Open EdX) platforms and integrate them with the internal CRM system.
- Although it was a pandemic year, in which all the activity of the training division and all class deliveries were in Live Virtual format, we delivered a total of 326 training classes with 3700 participants in the courses. For comparison, in 2019 we had 367 classes with 3850 participants.
- The pandemic caused the classes to move to Live Virtual format so that, if in 2019, only 30% of classes were delivered in this format, in 2020 this percentage rose to 85%.

The best-selling IT training products, with sales of over RON 200k, are reproduced below:



Equatorial

The activity at the beginning of the year focused on the traditional implementations in the classroom, reaching a number of 46 days of training until mid-March and entering the lockdown.

In the other 9 months of 2020, Equatorial's work focused on the following directions:

- **Digitalization of learning programs**
 - Digital content creation: The portfolio at the end of 2020 totals 32 soft skills topics from the transfer of offline to online programs to which were added those created directly for virtual delivery, adapted to the new requirements.
 - Expanding the use of the VRUNNERS game-based learning platform: One of the 5 gamified projects with VRUNNERS in 2020 is a candidate for the Gala of Excellence Awards in Human Resources 2021, organized by HR Club.
- **Developing the digital expertise of Equatorial trainers**: We have prepared the team of trainers to implement the digital content in the online training platforms Webex Training and Zoom.
- **Launching Bona Fides Agency game**: The game trains and develops cognitive skills such as critical thinking, problem solving, decision making, logical thinking and creative thinking, essential skills in the context of technological advancement and digital transformation, unexpectedly accelerated by the pandemic. In the first weeks after its launch, 574 players registered for the application, while the site was visited by 1791 people, of which 21.79% were from other countries, without the game being promoted actively outside Romania.
- **Understanding the impact of the pandemic crisis** on the market and the behavior of customers and participants
 - Market research: In order to understand what the market dynamics we serve will look like in the near future, in the first half of 2020 we conducted with Bittnet Training a market study on the impact of COVID-19 on learning and development processes in companies in Romania.
 - L&D Cafe: We initiated and held a series of virtual meetings with representatives of the L&D function from 30 multinational companies, meetings that allowed guests to exchange information and ideas, sharing the challenges they faced and the solutions they found to meet these challenges in a short time.
 - Interviews defining buyer persona: To recalibrate the market approach, we interviewed customers to understand their challenges and preferences in accessing solutions that address them. The conclusions materialized in changes in the internal structure and customer relationship process.
- **Equatorial Strategic Repositioning**: We outlined Equatorial's positioning strategy as an education partner specializing in the development of human skills for technology professionals and conducted interviews to define the learner persona in this segment. Based on the conclusions from the previous stage, we made a draft of the routes and learning experiences. We tested the outline in the form of mock-ups; we have integrated the feedback in order to prepare the content for the pilot stage, which will take place in Q1, 2021.
- **ANIS Strategic Project - European Funds - 2020 - 2021**: The general objective of the project is to improve the level of knowledge / skills / skills in the field of information technology of employees in SMEs with the object of activity of information and communication technology.

The e-Learning Company

The year 2020 brought for The e-Learning Company a doubling of the turnover compared to 2019 and an increase of more than 5 times of the profit reported in 2019. The reasons for the growth were multiple and, although e-learning was a field privileged in the pandemic, the foundations of growth have been implemented since 2019 with the decision of The e-Learning Company to invest in video content located in Romanian from Skillssoft. Thus, at the end of March 2020, 550 course modules were available in our catalog, out of which, 526 Skillssoft course modules located in Romanian and 24 English language course modules.

Therefore, the moment when the catalog was completed coincided with the beginning of the lockdown and, consequently, the beginning of the use of online courses instead of classroom courses. In a context in which, in November 2019, no one could have anticipated the pandemic, The e-Learning Company was selected to provide e-learning services for CPBR member banks starting with the end of March 2020, part of the increase was due to the start of this project, and another part was due to the clients who, during the pandemic, looked for e-learning solutions to compensate for the lack of classroom courses.

In 2020, a number of customers chose to switch to e-learning content without having LMS platforms, which meant that the proprietary iKnowLMS platform was requested together with the Skillssoft course catalog in Romanian. The decision to have, in addition to content, an easy-to-use LMS platform has been a strategic one since the emergence of The e-Learning Company, so that in 2020, we reached approximately 45,000 users of the iKnowLMS platform.

It should be noted that the access rate of the iKnowLMS courses and platform has increased from an average of 10% in previous years to about 20% for courses in the portfolio catalog and an access rate of over 90% of the platform for clients who add programs customized in the platform.

Compared to other years, 2020 also brought an increase in the amounts from contracts with external customers, almost 20% of revenues being generated by these customers. The services were divided between proprietary courses (customers from the Netherlands and Ireland) and subscriptions to The e-Learning Company products (customers from the Republic of Moldova).

In 2020 we kept the same number of employees, but we benefited from the support of the collaborators we activated when we had projects so that there was control over expenses. For 2021 it is possible to increase the team as the turnover increase will be higher.

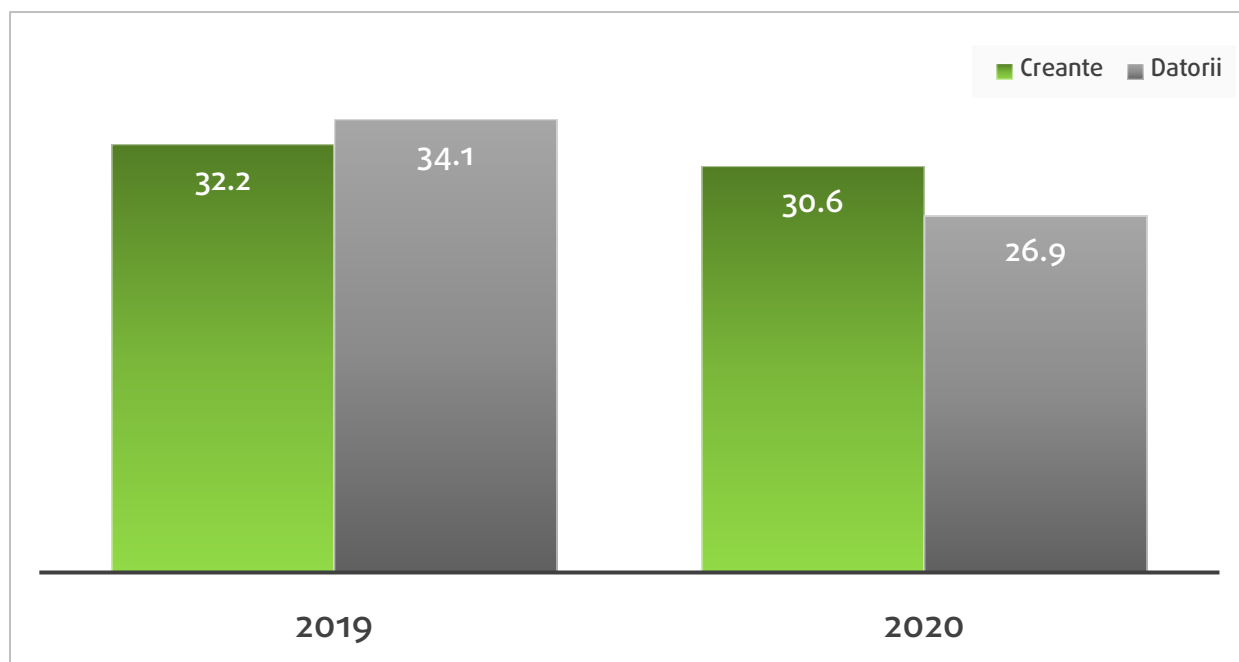
Financial Position & Cash Flow - selected items

Consolidated Financial Statement

Current assets remained stationary at around RON 55 million, out of which cash represented 44%, up from 38% in 2019. Fixed assets increased by RON 7.5 million, respectively the value of M&As concluded in 2020.

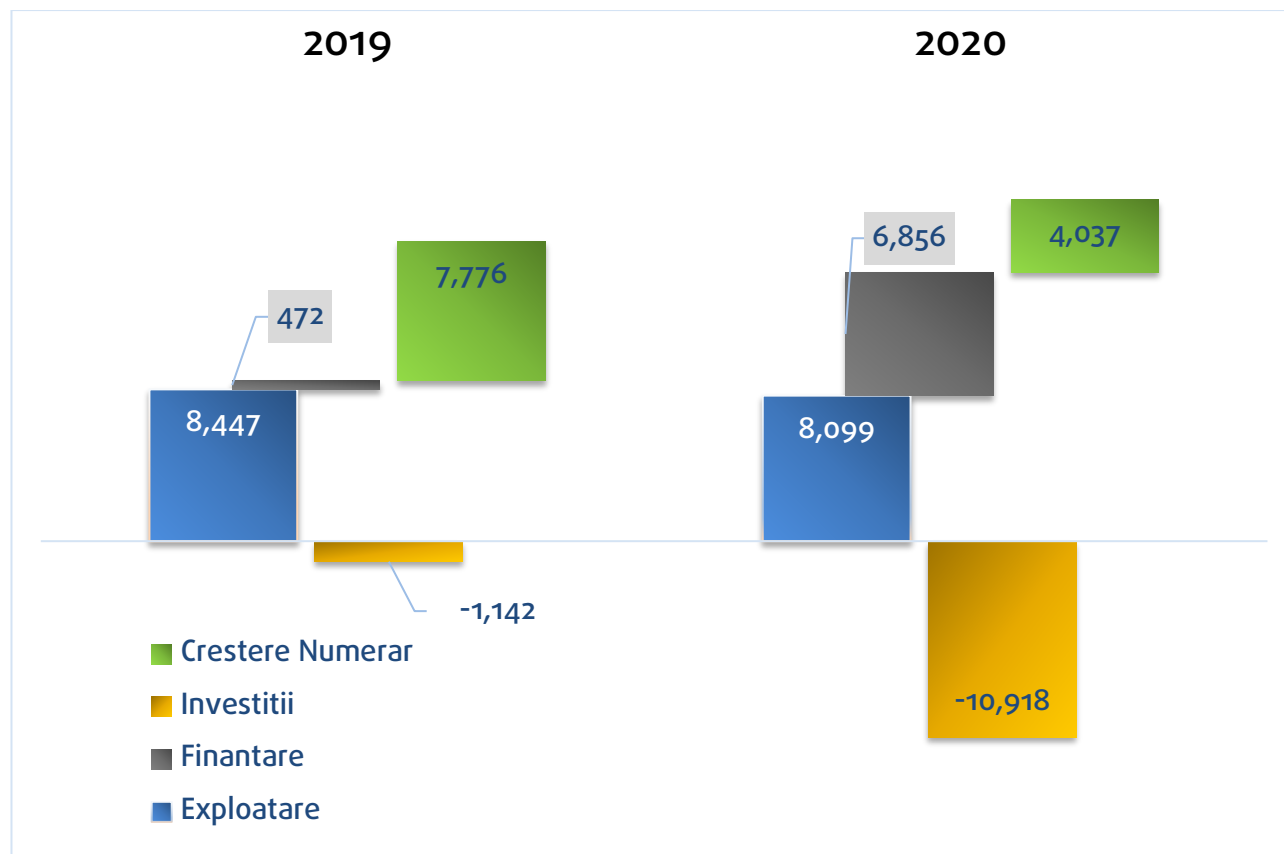
Equity increased by over 120% (from RON 12 to 27 million), and both the value of total debts (RON 72 million in 2020 versus 76 in 2019) and their division between short-term and long-term remained similar: 50-50%.

What we consider very relevant is that we have obtained at the same time the improvement of the cash position and the maintenance of a superunit degree of coverage of the commercial debts with the commercial receivables (figures in million RON):



Consolidated Cash Flow

The operational activity generated, as in 2019, approximately RON 8 million of positive cash flow. Along with the capital increase and an increase in bank financing by about RON 3 million, it allowed us to make investments of about RON 11 million, but also to continue to increase the cash position, to almost RON 25 million at the end of the year.



We mention the fact that the need for CAPEX investments for maintenance is specific to the IT sector in which we operate - around the level of 1% of the annual turnover.

Last year, Bittnet was included in a project funded by the EBRD and the Taiwan Chamber of Commerce, in which Wood&Co analysts were co-opted to make analysis reports ("coverage") for Bittnet shares. Unfortunately, Mifid's legislation does not allow Wood to distribute these reports to retail investors. Thus, we make available to shareholders a list of companies with similarities to our group, without suggesting that it is an exhaustive list, neither in terms of the included companies nor in terms of the included indicators. We have chosen companies that either do IT services or educational services, are listed on various scholarships around the world, and we have indicated how they can be found by shareholders and analyzed in more detail:

Identifier (RIC)	Company Name	Operating Margin	Crt ROE	Crt P/B	Hist EV / EBITDA	Crt EV / EBITDA	Hist Price / Sales	Crt Price / Sales	FW Price / Sales	Hist P / CF	Crt P/CF	FW P/E
CTS.TO	Converge Techn Solutions	0.8%	-18.4%	15.40	9.44	22.46	0.16	1.14	0.75	19.16	78.25	19.83
DAVA.N	Endava PLC	6.9%	15.7%	13.21	51.52	44.54	6.22	8.01	6.33	43.32	66.08	49.08
TPXT.L	Panoply Holdings PLC	-9.4%	-16.0%	3.56	8.59	25.77	0.80	3.32	2.71		63.45	31.32
CYB.MI	Cyberoo SpA	20.2%	10.0%	5.32	13.91	21.38	6.62	10.26	4.51	32.31	49.25	
MSABb.ST	Micro Systemation AB (publ)	9.2%	19.8%	6.88	16.52	12.27	2.43	1.86		512.27	46.58	
CRAYON.OL	Crayon Group Holding ASA	1.2%	14.2%	9.60	22.93	27.01	0.52	0.57	0.46	35.49	42.95	42.46
AVEN.ST	Avensia AB	1.1%	1.8%	9.45	23.30	32.05	1.99	1.76	1.48	380.82	39.28	19.42
ENEA.ST	Enea AB	20.3%	9.6%	3.50	14.13	17.84	4.39	5.63	5.09	399.42	35.05	26.68
ACN.N	Accenture PLC	14.7%	31.8%	9.01	19.95	21.60	3.51	3.76	3.39	24.49	32.48	29.63
INFY.NS	Infosys Ltd	21.3%	28.1%	7.50	11.33	19.92	3.01	5.51	4.79	18.76	30.24	24.18
AVERAGE	MEDIA TUTOROR	7.1%	10.0%	4.53	13.31	15.12	1.84	2.88	2.22	68.46	30.00	21.73
UIS.N	Unisys Corp	7.4%		(7.00)	2.12	4.57	0.23	0.76	0.78	11.48	27.27	16.64
9613.T	NTT Data Corp	5.8%	6.9%	2.28	6.21	7.87	0.64	0.99	0.97	24.77	26.42	21.18
WIPR.NS	Wipro Ltd	17.3%	19.0%	4.52	7.18	14.25	1.88	3.72	3.48	15.37	23.99	20.32
PREVb.ST	Prevas AB	8.5%	22.1%	2.94	6.23	6.36	0.80	0.81		18.73	23.32	35.82
ASEP.WA	Asseco SEE SA	12.4%	13.3%	2.38	7.00	9.30	1.46	2.12	1.89	21.76	19.78	16.71
CAPP.PA	Capgemini SE	9.5%		4.00		20.40	1.38	1.49	1.38	45.88	19.62	20.60
BNET.BX	Bittnet Systems SA	4.0%	16.5%	6.04	63.19	24.85	1.13	1.61	1.00	22.80	19.38	12.32
ULS.L	ULS Technology PLC	14.9%	11.6%	4.46	4.73	16.09	0.86	2.36	2.18	82.75	18.15	21.42
CMP.WA	Comp SA	6.7%	3.0%	0.60	5.40	7.81	0.43	0.54	0.44	29.40	17.47	23.26
CTSH.OQ	Cognizant	12.7%	12.7%	3.60	13.83	12.38	2.66	2.35	2.17	14.70	16.51	18.31
TEML.NS	Tech Mahindra Ltd	11.5%		3.88	7.59	13.60	1.32	2.45	2.32	11.51	15.81	16.19
ATGE.N	Adtalem Global Education Inc	13.5%	21.8%	1.59	6.58	7.62	1.59	1.91	1.77	13.41	14.06	14.88
CACI.K	CACI International Inc	8.0%	13.9%	2.06	11.86	11.30	0.97	1.01	0.93	14.12	12.32	14.80
ATOS.PA	Atos SE			0.96		5.11		0.60	0.61	6.83	7.91	8.62
DTCJ	Datatec Ltd	1.9%	1.9%	0.64	3.77	3.23	0.10	0.09	0.08	11.28	4.84	12.02
SGN.WA	Sygnity SA	15.8%	34.7%	2.68	3.42	5.00	0.75	1.11	1.02			9.16
CMR.WA	Comarch SA	10.0%	10.5%	1.55	6.67	5.89	1.06	1.07	0.97			
PRFr.AT	Profile Systems & Software	13.2%	5.7%	2.85	7.10	11.97	2.70	4.06	3.15			23.36
ALSTW.PA	Streamwide SA			9.55		16.47		10.13	6.96	9.57		26.06

Indicative Budget 2021

Each year, the Revenue and Expenditure Budget is approved in April by the General Meeting of Shareholders. Below are the working hypotheses of the management for 2021 - the indicative proposal that will be presented to the shareholders for the GMS.

Element P&L (figures in thousands RON)	Training	Integration	Consolidated Group '21
Revenues from contracts with clients	19,682	137,373	157,056
Direct expenses	(7,875)	(114,584)	(122,458)
Gross margin	12,793	30,939	43,733
Indirect expenses	(8,071)	(19,263)	(27,334)
Human Resources	(5,477)	(15,426)	(20,902)
Administrative costs	(2,595)	(3,838)	(6,432)
EBITDA	4,723	11,677	16,400
Depreciation & amortization	(679)	(462)	(1,140)
Operational Profit (EBIT)	4,045	11,216	15,261
Financial Result			(897)
SOP adjustment (IFRS)			(1,640)
Gross profit			12,724

The assumptions on which this budget is built are, we consider, conservative, as always, containing a lot of "margin of safety", and are presented below:

1. Bittnet Training continues organic growth, without acquisitions and without synergies with eLearning Company, at the historical growth rate;
2. Dendrio delivers in addition to last year only the projects already won in 2020 and not delivered, having again a year similar to 2020 (pandemic year, adaptation to realities, etc.);
3. Equatorial returns to 2019 revenues, without growth, without recording revenues from games;
4. Elian does not register any increase compared to last year, except for one project, of 300,000 euros, about which we have a degree of confidence that it will be won;
5. Cost of Sales (COGS) - Direct Expenses - grows at a rate 10% faster than sales;
6. The gross margin therefore increases by only 1.5x compared to sales, although historically this multiplier is 3-6x;
7. We significantly expand the teams (15% headcount, 12% hourly price) without generating additional sales compared to what is provided according to points 1-4;
8. Administrative expenses increase by 10%, versus the historical downward trend;
9. Softbinator and The eLearning Company manage only 80% of the assumed profitability for 2021;
10. The offer of preferential shares is only 50% successful, so we only reduce by half the cost of interest paid to bondholders. We are unable to carry out any other capital increase operation.

Annex 1 – “Alternative Performance Measurements” about alternative performance indicators

The ESMA guidelines require us to explain any indicator we use in evaluating the company's financial or non-financial results, if this indicator is not found in the IFRS or XBRL standards published by ESEF. In the case of our financial reports, we use the following indicators:

Indicator	Definition / Calculation method	Why it is relevant
Operational profit	<p>It is about the profit of the basic activity, the activity of serving our clients.</p> <p>It takes into account all income and expenses associated with the current activity and ignore financial income and expenses, or those related to the holding activity (of the group, our existence as a listed company).</p> <p>It is obtained by eliminating from the results of each business line the elements of income and expenses (cash or non-cash) that have nothing to do with the current activity.</p> <p>The most significant adjustments (differences between gross profit and operating profit) are:</p> <ol style="list-style-type: none"> 1. Elimination of the financial result (addition to the gross profit of the expenses and decrease of the financial type revenues). 2. Elimination of non-cash IFRS adjustments related to the Stock Option Plan. 	<p>The operational activity (also called ‘current’ or ‘basic’) represents the company’s business.</p> <p>Thus, the performance and activity of the business versus the competition are measured, regardless of the taxation environment, the reporting accounting framework or the financing method of the company (mix between equity and borrowed capital, costs of maintaining the stock market share, etc.).</p> <p>In other words, this is the result that the company (or each business segment) would have if it operated as a company financed entirely from its own sources (from "equity" - shareholders' capital).</p>
„Gross margin” , or „GM”	<p>The calculation formula of this indicator is "Revenue minus COGS (cost of goods sold)".</p> <p>Thus, from the invoices issued to the clients, the value of the expenses directly associated with those projects (obtaining those revenues) is deducted. In the case of software license resale projects, we buy a license for RON 90 and sell it to the client for RON 100. The difference is "Gross Margin".</p> <p>If we bill a customer for the services of implementing a cloud project, the gross margin is the difference between the revenue billed to the customer and the cost for man-hours required for deployment, regardless of whether the engineer performing the deployment is employed or a subcontractor.</p>	<p>This indicator is the "GDP" of the company, it is the "added value" that we produce for our partners.</p> <p>This indicator reflects not only the value we bring to customers, but, turning our gaze to the inside of the company, it reflects the amounts of money we have at our disposal to cover fixed expenses.</p>

Financial Situations (UNAUDITED)

BITTNET SYSTEMS SA –
CONSOLIDATED FINANCIAL SITUATION (PRELIMINARY, UNAUDITED)

For the financial year 2020

(amounts in RON if not specified otherwise)

BITTNET SYSTEMS SA - CONSOLIDATED FINANCIAL STATEMENTS (PRELIMINARY, UNAUDITED)

for fiscal year 2020

(all values in RON, unless otherwise specified)

CONSOLIDATED SITUATION OF COMPREHENSIVE INCOME

	<u>2020</u>	<u>2019</u>
Revenues from contracts with customers	108,616,585	99,749,829
Sales costs	(87,621,459)	(82,494,676)
Gross margin	20,995,126	17,255,153
Other incomes	449,054	657,734
Sales expenses	(7,966,024)	(6,417,530)
General and administrative expenses	(10,272,297)	(11,658,788)
Equity securities gain	(405,313)	6,411
Interest income	1,549,733	371,828
Financial Expenses	(4,019,590)	(3,177,062)
Gross profit	330,688	(2,962,255)
Tax	(278,108)	331,642
Net profit:	52,579	(2,630,613)
related to parent company related to non-controlling interest	(78,755) 131,335	(2,753,499) 122,885
Result Total:	52,579	(2,630,613)
related to parent company related to non-controlling interest	(78,755) 131,335	(2,753,499) 122,885

CONSOLIDATED SITUATION OF FINANCIAL POSITION

	<u>31 dec 2020</u>	<u>31 dec 2019</u>
Assets		
Active imobilizate		
Goodwill	17,707,720	17,701,643
Other intangible assets	11,824,995	6,039,991
Tangible fixed assets	5,444,104	6,742,571
Equivalent titles	8,527,500	1,236,738
Other financial assets	7,483	1,056,588
Deferred tax	637,592	562,443
Total fixed assets	44,149,395	33,339,974
Current assets		
Inventory	465,766	1,997,289
Trade receivables	30,155,984	32,300,201
Other financial assets	1,459,700	-
Cash	24,872,655	20,824,117
Current assets Total	56,954,105	55,121,607
ASSETS TOTAL	101,103,500	88,461,581
EQUITY AND DEBTS		
Share capital	26,443,139	11,620,321
Premiums	25,409,965	-
Other equity items	(19,828,513)	1,118,923
Reserves	482,673	352,151
Reported results	(4,196,863)	(1,044,521)
Capital related to the parent co.	28,310,402	12,046,873
Non-controlling interest	256,573	324,703
Capital Total	28,566,975	12,371,577
Long term debt		
Bonds	28,357,324	28,195,593
Bank loans	4,570,517	4,807,687
Leasing	3,036,719	3,842,943
Impozit amânat	151,320	-
Long term debt	36,115,880	36,846,223
Current debt		
Bank Loans	7,583,930	3,560,417
Leasing	1,401,465	1,325,649
Profit tax	124,311	226,880
Commercial and other liabilities	27,310,938	34,130,836
Current debt Total	36,420,645	39,243,781
Debt Total	72,536,525	76,090,004
CAPITAL AND DEBT - Total	101,103,500	88,461,581

CONSOLIDATED SITUATION OF CASH FLOW

	<u>2020</u>	<u>2019</u>
Gross profit	330,688	(2,962,255)
Adjustments:		
Depreciation expenses	1,993,977	2,283,370
SOP	1,640,205	1,001,644

BITTNET SYSTEMS SA - CONSOLIDATED FINANCIAL STATEMENTS (PRELIMINARY, UNAUDITED)

for fiscal year 2020

(all values in RON, unless otherwise specified)

Adjustments for impairment of receivables	(104,040)	84,551
Interest expenses and other financial costs	3,362,206	2,864,523
Interest income	323,690	56,152
Profit / Loss of investment securities	(1,168,120)	-
Profit / Loss of titles put in equivalent	405,313	(6,411)
Operating profit before working capital change	6,783,919	3,321,574
Variatia soldurilor conturilor de creante	3,240,878	(9,646,903)
Variatia soldurilor conturilor de stocuri	1,531,554	(1,379,229)
Variatia soldurilor conturilor de datorii	(2,885,167)	16,810,546
Cash generated from operation	8,671,184	9,105,989
Profit tax paid	(310,496)	(603,701)
Net cash from operating activities	8,360,688	8,502,288
Investments:		
Payments for the acquisition of subsidiaries, +/- cash	(119,040)	(709,920)
Payments for participation interest	(4,027,500)	-
Goodwill purchase	(5,450,000)	-
Acquisitions of tangible and intangible assets	(966,289)	(893,873)
Other investments in financial instruments	(291,580)	-
Interest received	97,239	405,485
Net cash from investment activities	(10,757,170)	(1,198,308)
Financing activities:		
Income from the issue of shares	8,851,720	-
Redemption of shares	(949,483)	-
Withdrawals from bank loans	6,110,872	-
Repayments of bank loans	(2,700,000)	(813,770)
Receipts from the bond issue	-	9,600,000
Repayments of bond issues	-	(4,186,000)
Leasing	(1,607,641)	(1,500,098)
Interest paid	(3,200,475)	(2,627,877)
Dividends paid to non-controlling interests	(59,972)	-
Net cash from financing activity	6,445,020	472,255
Net increase in cash and cash equivalents	4,048,538	7,776,235
Cash and cash equivalents at the beginning of the year	20,824,117	13,047,882
Cash and equivalents at the ending of the year	24,872,655	20,824,117

BITTNET SYSTEMS SA - CONSOLIDATED FINANCIAL STATEMENTS (PRELIMINARY, UNAUDITED)

for fiscal year 2020

(all values in RON, unless otherwise specified)

CONSOLIDATED SITUATION OF CHANGES IN EQUITY

	Share capital	Premiums	Alte elemente de capitaluri proprii	Legal reserve	Reported result	Total Share capital Parent company	Noncontrolling interest	Capital Total
31 dec 2018	5,175,524	2,594,889	1,038,755	266,124	4,723,436	13,798,728	201,818	14,000,546
Net profit	-	-	-	-	(2,753,499)	(2,753,499)	122,885	(2,630,613)
Other elements of the result	-	-	-	-	-	-	-	-
Result Toatal	-	-	-	-	(2,753,499)	(2,753,499)	122,885	(2,630,613)
Transactions with shareholders								
Capital Increase	5,523,321	(2,594,889)	-	-	(2,928,432)	-	-	-
Stock Option Plan	921,476	-	80,168	-	-	-	-	1,001,644
Distribution of the legal reserv				86,027	(86,027)	-	-	-
31 dec 2019	11,620,321	-	1,118,923	352,151	(1,044,521)	12,046,873	324,703	12,371,577
net profit	-	-	-	-	(78,755)	(78,755)	131,335	52,579
Other elements of the result	-	-	-	-	-	-	-	-
Result Total	-	-	-	-	(78,755)	(78,755)	131,335	52,579
<i>Transactions with shareholders</i>								
Capital increase	14,822,819	25,409,964	(22,587,641)	-	(3,092,905)	14,552,236	-	14,552,236
Stock Option Plan			1,640,205			1,640,205	-	1,640,205
Dividends					149,842	149,842	(209,814)	(59,972)
Distribution of the legal reserve				130,523	(130,523)			
31 dec 2020	26,443,139	25,409,965	(19,828,513)	482,673	(4,196,863)	28,310,402	256,573	28,566,975