

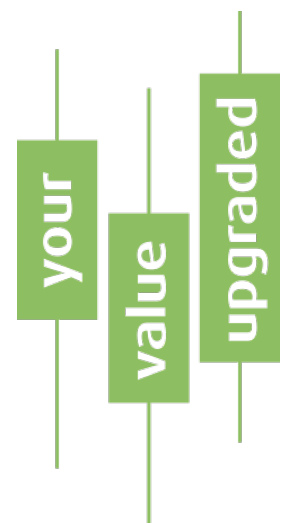
# Draft of an universal registration document, pursuant to ANNEX 2 to the COMMISSION DELEGATED REGULATION (EU) 2019/980

# bittnet

group

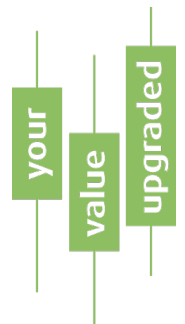
Approved by ASF Decision No \_\_\_\_\_ of \_\_\_\_\_

„THE APPROVAL VISA APPLIED ON THIS UNIVERSAL REGISTRATION DOCUMENT HAS NO WARRANTY VALUE, NOR IT REPRESENTS ANOTHER FORM OF ASSESSMENT OF A.S.F. REGARDING THE OPPORTUNITY, THE ADVANTAGES OR DISADVANTAGES, THE PROFIT OR RISKS THAT THE TRANSACTIONS IN SECURITIES OF THE ISSUER MIGHT REPRESENT. THE APPROVAL DECISION CERTIFIES ONLY THE REGULARITY OF THE DOCUMENT REGARDING THE REQUIREMENTS OF THE LAW AND THE RULES ADOPTED IN ITS APPLICATION.“



# ANNUAL REPORT for 2020

For the financial year	01.01.2020 - 31.12.2020
Report date	February 26, 2021
Name of the company	BITTNET SYSTEMS S.A.
Registered office	Str. Șoimuș nr. 23, bl 2, ap. 24, Sector 4, București
Mail address/operating premises	Bd. Timișoara, Nr. 26, Clădirea Plaza Romania Offices, Etaj 1, Sector 6, București
Telephone/fax	021.527.16.00 / 021.527.16.98
Unique registration code at the Trade Register Office	21,181,848
Trade Register registration number	J40/3752/2007
The regulated market on which the issued securities are traded	Bucharest Stock Exchange, Standard Segment
Paid-in and subscribed share capital	RON 28,260,994.30
The main characteristics of securities issued by the company	247,228,275 shares with a nominal value of 0.10 RON per share <sup>1</sup>
Trading Symbol	BNET - shares BNET22, BNET23, BNET23A, BNET23C - bonds
ISIN code	ROBNETACNOR1
Contact	<a href="mailto:investors@bittnet.ro">investors@bittnet.ro</a>



<sup>1</sup> At the date of publication of this report, the company is currently in the process of registering with the ASF/Central Depository the following operations: a capital increase with new contributions, in which a maximum number of 18.178.550 shares have been subscribed, plus two capital increase operations registered with the ONRC - dated August 2020 and December 2020. At ONRC; the company is registered with a share capital consisting of **282.609.943** shares.

(all amounts are expressed in RON, unless otherwise specified)

Pursuant to [Regulation \(EU\) 1129/2017](#), Article 9(12)

12) Where the universal registration document filed with or approved by the competent authority is made public at the latest four months after the end of the financial year and contains the information required to be disclosed in the annual financial report referred to in Article 4 of Directive 2004/109/EC, **the issuer shall be deemed to have fulfilled its obligation to publish the annual financial report required under that Article, if:**

[...]

(a) shall include in the universal registration document a cross reference list identifying where each item required in the annual and half-yearly financial reports can be found in the universal registration document;	YES - ANNEX 1
(b) shall file the universal registration document in accordance with Article 19(1) of Directive 2004/109/EC and make it available to the officially appointed mechanism referred to in Article 21(2) of that Directive;	YES
(c) shall include in the universal registration document a responsibility statement using the terms required under point (c) of Article 4(2) and point (c) of Article 5(2) of Directive 2004/109/EC. the statements of the persons responsible within the issuer, clearly identified by name and function, confirming that, from their point of view, the financial statements established in accordance with the applicable corpus of accounting standards offer a true and honest view of the assets and liabilities, the financial situation and financial result of the issuer and the undertakings involved in the consolidation, and that the management report presents a true picture of the evolution and results of the undertaking and the situation of the issuer and the undertakings involved in the consolidation, as well as a description of the main risks and uncertainties they face.	YES - in the chapter on financial statements (page xxx)

Therefore, we publish, for the approval of the shareholders, the universal registration document for the year 2021, in the form submitted for approval to the FSA/as an annual report, according to the legislative provisions.

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## Annex 1: Cross-references - Annual Report according to Regulation No 5/2018 vs. this Universal Registration Document

Requirement of Regulation No 5/2018	This document
The report shall include the management report and, where applicable, the consolidated management report, drawn up in accordance with the applicable accounting rules, and shall include, in the case of the regulated market, also:	
II. the corporate governance statement, as well as, where applicable,	Section 14.4
III. non-financial statement on environmental, social and personnel aspects, respect for human rights and combating corruption and bribery.	not applicable
<b>1 The analysis of the issuer's activity</b>	
a) Description of the issuer's core business	Point 5.1/1
b) Indication of the date of establishment of the issuer	Point 4.3
c) Description of any significant merger or reorganisation of the issuer, its subsidiaries or controlled companies during the financial year	Point 6.2
d) Description of asset acquisitions and/or disposals	Point 5.7
<b>e) Description of the main results of the issuer's activity assessment:</b>	
1.1.1. Elements of general assessment:	
a) profit;	Point 5.3
b) turnover;	Point 5.3
c) export;	Point 5.2 and 5.3
d) costs;	Point 5.3
e) owned % of the market;	Point 5.2
f) liquidity (available in the account, etc.).	Point 7.1
<b>1.1.2. Assessment of the technical level of the issuer</b>	
<b>Description of the main products and/or services provided, specifying:</b>	
(a) the main markets for each product or service and the distribution methods;	Point 5.2
b) the share of each category of products or services in the revenues and total turnover of the issuer for the last 3 years;	Point 5.2
c) the envisaged new products for which a substantial volume of assets will be affected in the next financial year, as well as the stage of development of these products.	Point 5.7.1.D
1.1.3. Assessment of the material and technical supply activity (indigenous sources, import sources) Specification of information on the security of supply sources and prices of raw materials and on the size of stocks of raw materials and materials	Point 5.8
<b>1.1.4. Evaluation of sales activity</b>	
a) Description of sequential sales developments on the internal and/or external market and medium and long-term sales perspectives	Point 5.2 and 5.3
b) Description of the competitive situation in the issuer's field of activity, the market share of the issuer's products or services and the main competitors	Section 5.2
c) Description of any significant dependence of the issuer on a single client or group of clients whose loss would have a negative impact on the issuer's corporate income	Section 5.9
1.1.5. Assessment of aspects related to the issuer's employees/staff	
a) Indication of the number and level of training of the issuer's employees, as well as the degree of labour force syndication	Section 15.1

(all amounts are expressed in RON, unless otherwise specified)

Requirement of Regulation No 5/2018	This document
b) Description of the relations between the manager and the employees, as well as any conflicting elements that characterize these	
1.1.6. Assessment of issues related to the environmental impact of the issuer's core business Synthetic description of the impact of the issuer's core activities on the environment, as well as of any existing or expected disputes regarding the breach of environmental protection legislation	Point 5.7.4
1.1.7. Evaluation of the research and development activity Specifying the expenses in the financial year, as well as those anticipated in the next financial year for the research and development activity	Section 7.3
1.1.8. Evaluation of the issuer's risk management activity. Description of the issuer's exposure to price, credit, liquidity and cash flow risk Description of the issuer's risk management policies and objectives	Section 3
1.1.9. Prospective elements regarding the issuer's activity	
a) Presentation and analysis of trends, elements, events or uncertainty factors affecting or likely to affect the issuer's liquidity compared to the same period of the previous year	Point 5.3, Section 10
b) Presentation and analysis of the effects of capital expenditures, current or anticipated, on the financial situation of the issuer compared to the same period last year	Point 5.3, Section 10
c) Presentation and analysis of events and transactions of economic changes that significantly affect the income from the core activity	Point 5.3, Section 10
<b>2 Tangible assets of the issuer</b>	
2.1 Indication of the location and characteristics of the main production capacities owned by the issuer	Point 5.7.1. B
2.2 Description and analysis of the degree of wear and tear of the issuer's properties	Point 5.7.1. C
2.3 Indication of potential ownership issues related to the issuer's right of ownership on the tangible assets	Point 5.7.1.C
<b>3 Market of the securities issued by the issuer</b>	
3.1 Specifying the markets in Romania and other countries where the issued securities are traded	Point 9.2
3.2 Description of the issuer's dividend policy. Indication of dividends due/paid/accrued in the last 3 years and, if applicable, reasons for any decrease in dividends during the last 3 years	Point 9.3, Point 9.4, Point 18.5
3.3 Description of any activities of the issuer of acquiring its own shares	Point 9.5
3.4 Where the issuer has subsidiaries, indication of the number and nominal value of the shares issued by the parent company owned by the subsidiaries	Point 9.6
3.5 Where the issuer has issued bonds and/or other debt securities, presenting how the issuer fulfils its obligations towards the holders of such securities	Point 9.7

(all amounts are expressed in RON, unless otherwise specified)

<b>4 Issuer's management</b>	
4.1 Presentation of the issuer's administrators list and the following information for each administrator:	Section 12
a) CV (name, surname, age, qualification, professional experience, position and seniority);	
b) any agreement, understanding or family tie between the respective manager and another person due to which the respective person has been appointed administrator;	
c) the manager's participation in the issuer's capital;	
d) the list of persons affiliated to the issuer.	
4.2 Presentation of the list of executive management members of the issuer	Section 12 Point 14.1
For each, the following information shall be provided:	
a) for which period the person is part of the executive management;	
b) any agreement, understanding or family tie between that person and another person due to which the respective person has been appointed as a member of the executive management;	
c) the participation of the respective person in the capital of the issuer.	
4.3 For all persons referred to in points 4.1 and 4.2, the indication of any disputes or administrative procedures in which they have been involved, in the last 5 years, regarding their activity within the issuer, as well as those regarding the capacity of that person to perform their duties within the issuer	Section 12
<b>5 Financial and accounting statement</b>	
Presentation of an analysis of the current economic and financial situation compared to the last 3 years, referring at least to:	Section 7 Point 8.2
a) balance sheet items: assets representing at least 10% of the total assets; cash; and	
b) other liquid assets; reinvested profits; total current assets; total current liabilities;	
c) profit and loss account: net sales; gross revenue; cost and expenditure items with a share of at least 20% in net sales or gross revenue;	
d) risk and miscellaneous expenses provisions; reference to any sale or cessation of a segment of activity carried out in the last year or to be carried out in the following year;	
e) dividends declared and paid;	
f) cash flow: all changes occurred at the level of cash within the core activity, investments and financial activity, the level of cash at the beginning and the end of the period.	
<b>The annual report shall be accompanied by copies of the following documents:</b>	
a) the instruments of incorporation of the issuer, if they have been amended in the year for which the reporting is made;	Point 19.2
b) acts of resignation/dismissal, if there have been such situations among the members of the administration, the executive management, the auditors;	Not applicable
c) the list of subsidiaries of the issuer and entities controlled or controlling the issuer.	Section 6

(all amounts are expressed in RON, unless otherwise specified)

## Key information

### Key results, history, thousand lei:

	Turnover	Operational Profit <sup>2</sup>	Profit Net	Cashflow Operations	Assets	Cash	Equity 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	98,012	-1,450	-4,459	8,502	89,765	20,824	12,372	112,717
2020	109,192	4,355	1,025	8,350	102,353	24,861	27,646	157,586
CAGR	54%	40%	44%	66%	63%	77%	78%	65%
YoY	11%	400%	123%	-2%	14%	19%	123%	40%

### Historical increase rates compared to the market index

Increase rate/Year	Income	Assets	Equity Capital	Capitalisation Company	Index BET-XT
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	9.47%	15.7%	123.46%	20.63%	-3.91
Average	58.71%	71.84%	87.07%	65.16%	5.64%

<sup>2</sup> See Annex 1 for the definition, calculation method and relevance of the alternative performance measures used in the report

(all amounts are expressed in RON, unless otherwise specified)



## NOTE TO INVESTORS

This Universal Registration Document has been approved by the Romanian Financial Supervisory Authority ("ASF"), which is the Romanian competent authority within the meaning of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC ("the Prospectus Regulation") and the rules for the implementation in Romania of the Regulation on the universal registration document, pursuant to Law No 24/2017 regarding issuers of financial instruments and market operations ("Law regarding issuers"), to the secondary regulations issued by ASF in implementing the Law on issuers, as well as to the Commission Delegated Regulation (EU) 2019/979 and Regulation (EU) 980/2019. ASF approved this Document as complying with the standards of exhaustive comprehensibility and consistency standards required by law. Such approval shall not be considered as an endorsement of the issuer that it the subject of this registration document.

This Document has been drafted to act as a reference source regarding the issuer, supplying investors and analysts with the minimum information needed to make an informed judgement on the company's business, financial position, earnings and prospects, governance and shareholding since the date of its drafting. This Document has also been drafted for its use for the purpose of future offers to the public of securities, regardless of their type or class, which could take place on a regulated market if supplemented by amendments, as appropriate, and by securities note and a summary approved according to Regulation (EU) 2017/1129. By submitting for approval and publishing this Document, the Issuer seeks to acquire the status of Frequent Issuer of securities according to Regulation (EU) 2017/1129.

The information contained in this Universal Registration Document presents the situation of the Issuer and group to which it belongs, at the date of the Document within the limit of the selected documents and information, except for the cases when another date or source is expressly mentioned.

The information contained in this Document is provided by the Issuer or it derives from public sources, as indicated in the Registration Document. No natural or legal person other than the Issuer has been authorized to provide information or documents.

The information in this Document serves for information purposes only and will not be construed as a legal, financial or tax opinion. Nothing in this Registration Document shall be construed as a recommendation to invest or an opinion on the Issuer's situation or as legal, tax, financial or professional business advice. The potential investors must be aware of the risk factors to which the Issuer is subject both in terms of the industry in which it operates and the individual risks that are specific to the Issuer. The risks identified by the Issuer are presented in this Document: Section 3 - Risk factors

After receiving the approval visa from the Financial Supervisory Authority, this Universal Registration Document will be published on the website of the Bucharest Stock Exchange, (<http://www.bvb.ro>), on the Issuer's own website in the section *Investors* (<https://investors.bittnet.ro>) and on the Financial Supervisory Authority's website ([www.asfromania.ro](http://www.asfromania.ro))

This document is an unaudited translation of the romanian version. In case of any discrepancies between the romanian and the english versions, the romanian version shall prevail.

## DEFINITIONS

Within this Universal Registration Document, unless explicitly stated otherwise, the following capitalized terms will have the following meanings, applicable both to singular and plural forms:

"Articles of Association"	The Articles of Association of the Issuer, in force and applicable at the date of this Universal Registration Document
"Shares", "Existing Shares" or "Company Shares"	The entirety of shares that are issued by the Company on the date of approval of this Document
"AGA"	General Meeting of the Company's Shareholders
"AGEA"	Extraordinary General Meeting of the Company's Shareholders
"AGOA"	Ordinary General Meeting of Company's Shareholders
"ASF"	Financial Supervisory Authority
"NACE"	Classification of Activities in National Economy
"the Company" and/or "the Issuer" and/or "the Company" and/or "Bittnet S.A." and/or "Bittnet", "BNET"	Bittnet Systems S.A., the issuer of the Shares described in this Registration Document
"Board of Directors"	On 29.01.2020, the General Meeting of Shareholders approved the amendment of the company's articles of association for administration purposes by a Board of Directors consisting of 3 members. At the time of drawing up this Universal Registration Document, the documents have been registered with the ONRC.
"Central Depository"	Depozitarul Central S.A., with its registered office in Bulevardul Carol I nr. 34 - 36, etajele 3, 8 si 9, sector 2, postal code 020922, Bucharest, Romania, means the institution that provides services for depositing, registering, clearing and settling transactions with financial instruments, as well as other operations related to them, as defined in the Capital Market Law
"Investors"	Persons interested in the Issuer's shares
"Law 24/2017" "the Law on issuers"	Law No 24/2017 on issuers of financial instruments and market operations, published in the Official Journal Part I No 213 of March 29, 2017
"Companies Law"	The Companies Law No 31/1990, republished in the Official Journal No 1066 of 17.11.2004, as subsequently amended and supplemented
"Leu" or "Lei" or "RON"	The official currency of Romania
"MTF market"	The multilateral trading facility (MTF) operated by the Bucharest Stock Exchange. The SMT market, the market on which the corporate bonds issued by Bittnet Systems S.A. are traded, with the symbols: BNET22, BNET23, BNET23A and BNET23C.
"Regulated Market"	The regulated market managed by the Bucharest Stock Exchange.
"The Universal registration document"/"the Registration document"/"the document"	This Universal Capital Registration Document of Bittnet Systems S.A. equities
"Trade Registry"	The database containing the registers and registration of traders and other entities provided by law
"Regulation 5/2018"	ASF Regulation No 5/2018 on issuers of financial instruments and market operations, as subsequently amended and supplemented

(all amounts are expressed in RON, unless otherwise specified)

"Regulation 1129/2017"	Regulation (EU) 2017/1129 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC
"Commission Delegated Regulation (EU) 2019/979"	Commission Delegated Regulation (EU) 2019/979 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council with regard to regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal, and repealing Commission Delegated Regulation (EU) No 382/2014 and Commission Delegated Regulation (EU) 2016/301.
"Commission Delegated Regulation (EU) 2019/980"	Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004
"Working day"	Any day when both the Romanian interbank market and the trading systems of the Bucharest Stock Exchange and the clearing-settlement systems of the Central Depository are open for carrying out their activity
"DND"	The company Dendrio Solutions SRL – owned in full by the Issuer
"SFB"	The company Softbinator Technologies SA – within which the Issuer owns a share of 25%
"ELC"	The company eLearning company SA – within which the Issuer owns a share of 23%
"EQG"	The company Equatorial Gaming SA – within which the Issuer owns a share of 99%

The information used in drafting this Universal Registration Document regarding the Issuer and its activity were provided by BITTNET SYSTEMS S.A., a company with its registered office in Bucharest, Str. Soimus nr. 23, bl 2, ap. 24, Sector 4, Romania, telephone 021.527.16.00, fax 021.527.16.98, website <http://investors.bittnet.ro/>, unique registration code RO 21181848, registration number with the Trade Registry J40/3752/2007 ("the Issuer").

**The persons responsible for the information contained in this Document, from the Issuer:**

**Mihai Logofatu – Managing Director;**

**Statements by those responsible:**

The Issuer's Representative declares that, after taking all reasonable measures in this regard, the information regarding the Issuer included in this Universal Registration Document is, to the best of his knowledge, in accordance with the facts and make no omission likely to affect its content.

## Section 1 Additional information Persons responsible, third party information, experts' reports and competent authority approval

### 1.1- 1.2 PERSONS RESPONSIBLE AND DECLARATION BY THOSE RESPONSABLE

**1.1 Identify all persons responsible for the information or any parts of it, given in the registration document with, in the latter case, an indication of such parts. In the case of natural persons, including members of the issuer's administrative, management or supervisory bodies, indicate the name and function of the person; in the case of legal persons indicate the name and registered office.**

The information used in drafting this Universal Registration Document regarding the Issuer and its activity were provided by BITTNET SYSTEMS S.A., a company with its registered office in Bucharest, Str. Soimus nr. 23, bl 2, ap. 24, Sector 4, Romania, telephone 021.527.16.00, fax 021.527.16.98, website <http://investors.bittnet.ro/>, unique registration code RO 21181848, registration number with the Trade Registry J40/3752/2007 ("the Issuer"), represented by Mihai Logofatu – Managing Director.

**1.2 A declaration by those responsible for the registration document that to the best of their knowledge, the information contained in the registration document is in accordance with the facts and that the registration document makes no omission likely to affect its import.**

Bittnet Systems S.A., a company with its registered office in Bucharest, Str. Soimus nr. 23, bl 2, ap. 24, Sector 4, Romania, telephone 021.527.16.00, fax 021.527.16.98, website <http://www.bittnet.ro/>, unique registration code RO 21181848, registration number with the Trade Registry J40/3752/2007, as Issuer of the Shares, declares that after performing all the reasonable checks to ensure that this declaration is correct, all the information included in this Universal Registration Document is, to the best of its knowledge, in accordance with the facts and the Document makes no omission likely to affect its import.

According to the Issuer's best knowledge, the information contained in the Universal Registration Document is correct at the date of drawing up the Document, mentioned on the first page, unless another date is expressly specified in this Document. The activity and financial situation of the Issuer and the information included in the Document may be subject to amendments after this date. Except for the cases expressly stated in the applicable legal framework, the Issuer does not assume the obligation to update or revise the information contained in this Document.

**1.3 Where a statement or report attributed to a person as an expert, is included in the registration document, provide the following details for that person: (a) name; (b) business address; (c) qualifications; (d) material interest if any in the issuer.**

Not applicable, the universal registration document does not contain declarations or reports attributed to a person acting as an expert.

**1.4 Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, identify the source(s) of the information.**

Not applicable; this is not the case. The information contained in this document have not been sourced from a third party.

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(all amounts are expressed in RON, unless otherwise specified)

**1.5 A statement that: (a) the document has been approved by the Financial Supervisory Authority, as competent authority under Regulation (EU) 2017/1129; (b) the Financial Supervisory Authority only approves this document as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129; (c) such approval should not be considered as an endorsement of the issuer that is the subject of this document.**

The Issuer [**will declare that**]:

(a) the document has been approved by the Financial Supervisory Authority, as competent authority under Regulation (EU) 2017/1129;

(b) the Financial Supervisory Authority only approves this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129;

(c) such approval should not be considered as an endorsement of the issuer that is the subject of this Document;

**1.5.1. A statement that the universal registration document may be used for the purposes of an offer to the public of securities or admission of securities to trading on a regulated market if completed by amendments, if applicable, and a securities note and summary approved in accordance with Regulation (EU) 2017/1129.**

The Issuer declares that this universal registration document may be used for the purposes of an offer to the public of securities, regardless of their type or class, which could take place on a regulated market if completed by amendments, if applicable, and a securities note and summary approved in accordance with Regulation (EU) 2017/1129.

## Section 2: Statutory Auditors

### **2.1 Names of the issuer's auditors for the period covered by the historical financial information (together with their membership in a professional body).**

The financial auditor of the Issuer is BDO AUDIT SRL, with its registered office in Bucharest, Str. Învingătorilor nr. 24, et. 1-4, Sector 3, registered with the Bucharest Trade Register under No J40/22485/1994, with unique registration code 6546223, company authorized by the Chamber of Financial Auditors of Romania by authorization No 18/2001, notice issued by ASF No 374/20.11.2015.

Before the financial statements of the year 2019 inclusive, the auditor was ACE CONSULT S.R.L., with its registered office in Sibiu County, Sos. Constantin Noica, nr.3, registration number at the Trade Register J32/159/2002, unique registration code RO14469555. The last financial audit report was prepared in March 2020 and is based on the financial statements for 2019.

### **2.2 If auditors have resigned, been removed or have not been re-appointed during the period covered by the historical financial information, indicate details if material.**

At the General Meeting of Shareholders on November 26, 2020, taking into account the expiry of the previous audit contract, the shareholders voted to revoke the previous auditor and appoint the new auditor, according to article 2.1 above.

## Section 3: Risk factors

**A description of the material risks that are specific to the issuer and that may affect the issuer's ability to fulfil its obligations under the securities, in a limited number of categories, in a section headed 'Risk Factors'. In each category the most material risks, in the assessment of the issuer, offeror or person asking for admission to trading on a regulated market, taking into account the negative impact on the issuer and the probability of their occurrence, shall be set out first. The risk factors shall be corroborated by the content of the registration document.**

Risks regarding the Issuer's business and field of activity:

#### *The risk associated with achieving the business development plan*

The strategic objective of the company is to continuously develop the customer relationships. The possibility that Bittnet may not be able to expand its current customer base or the possibility that relationships with existing customers may deteriorate cannot be ruled out. There is also the risk that the company will not be able to meet other elements of the strategy it has defined, namely: expanding the sales force, establishing a local office in one of the main cities of the country, strengthening its leader position on the IT Training market in Romania, expanding the customer base in the country and abroad and providing trainings for a larger number of potential customers, as well as developing and creating strategic partnerships with companies with similar or complementary profiles will not prove successful. In order to reduce this risk, the company intends to expand the range of products and services and improve marketing activities.

### *The risk associated with making the financial forecasts*

The Company's financial forecasts are based on the assumption of successfully implementing the growth strategy based on existing resources and business units. However, there is a risk associated with making the financial forecasts. The forecasts have been created with due diligence, but they are still forecasts. The current data reported in future periodic reports may differ from projected values as a result of certain factors that were not predicted in the Company's environment. The company will provide information on the possibility of making financial forecasts.

This chapter deserves a more detailed discussion. The company submits every year to the shareholders' approval a Revenue and Expenditure Budget. The management builds this BVC using a "bottom-up" approach - starting from evaluations of ongoing projects (sales pipeline available at the time of BVC production), sales statistics from previous years, marketing actions and sales already committed/planned and sales targets assumed by each member of the sales team. In other words, the BVC is built prudently.

On the other hand, what we pursue and measure in relation to the sales team and any partner is the GROSS commercial MARGIN and not the amount of sales. Therefore, every year, when the BVC is published, the management must answer the question "if we have a reasonable confidence that we will be able to generate 100 lei of gross margin, from how many lei of sales will we obtain this margin?". It should be taken into consideration that sales achievements are measured and estimated EXCLUSIVELY depending on the volume of the generated gross margin. In other words, the 100 Euro margin generated from sales of courses in the amount of 200 Euro is just as valuable to the company and is therefore rewarded in the same way with the 100 Euro margin generated from sales of communications solutions in the amount of 500 Euro.

In order to be able to answer the question "how many lei of sales is needed to produce the committed margin of 100 lei", we must, therefore, answer the question "what will the gross margin average percentage registered by the company be?". According to the principle of prudence, the management applies small reductions to the gross margin percentages already recorded, in order to find the answer to this question.

The unexpected result of these precautionary estimates is that if we apply a lower margin percentage, then we actually assume that we will have to "work" more for the same amount of lei of gross margin, so the forecasts (the BVC) related to the company's revenue are HIGHER.

Nevertheless, the company only monitors the gross margin and not the sales volume, so during the budget year it is much more likely that the revenue forecasts (the turnover) are erroneous and the company's profitability forecasts are more accurate. In other words, the management does not target, monitor or reward the achievement of any revenue target and, consequently, investors should not monitor and evaluate the company's achievement of revenue indicators (turnover), but the profitability index.

### *Personnel risk/delivery capacity*

The Company's success depends to some extent on its ability to continue to attract, keep and motivate the qualified personnel. The Bittnet business is based on highly qualified and well-paid engineers, whose number is limited and can receive offers from the competition. If the Company fails to optimally manage the personnel needs, this may have a significant material adverse effect on the business, financial conditions, results of operations or prospects. The company offers attractive compensation packages and dynamic career development paths to attract, keep and motivate experienced staff with potential.

Bittnet has historically faced smaller staff fluctuations than the companies with which we do business with. However, two decisions we made in 2015 allowed us to resolve this issue in a "winning" way:

- adding to the organizational chart the role of internal HR and its employment by a new colleague with experience in recruitment and relationship with IT professionals. The HR role has two objectives:
  - continuous recruitment - identifying new talents to include in our technical team;

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(all amounts are expressed in RON, unless otherwise specified)

- creating and maintaining a pleasant, engaging and healthy work environment, focused on constantly promoting the company values on which the company culture is based: competence, performance, integrity, flexibility and fun.
- listing on the Bucharest Stock Exchange, which allowed us to obtain an appreciated employer profile and helped us differentiate ourselves as an open and transparent company - an image highly appreciated by all new and old employees.

This risk continues to be one of the most important risks that 'threaten' our company and, consequently, the management will continue to give particular importance to this issue. In 2016, 2017, 2018 and 2019, the General Assembly approved a plan to incentivize key persons based on actions, in order to better align their interests with the long-term interests of the Company.

The management will propose a new incentive plan for 2021 - 2022. On the other hand, considering the overheating of the labour market and the inclusion of the "Millennials" generation in a greater proportion within the workforce, we consider that this risk - related to the ability to deliver the promises to customers - is a significant one for the company, accompanied by the continuous increase of the financial claims of the team members and collaborators (a continuous increase of fixed costs).

Perhaps the greatest risk in this respect is given by the shareholders of the company, whose continued vote is needed to continue the existence of the Stock Option Plans. Although the stock-option plan is built in such a way as to reward employees only and only if the shareholders have earned money in the analysed period, at the time when the debt is settled with the key persons, messages of dissatisfaction appear from some shareholders, claiming that "employees receive cheaper shares", or that "this gives them the chance to sell in the market and make profit".

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

### ***Legislative/regulatory risk***

Changes in the legal and fiscal regime in Romania may affect the economic activity of the Company. Changes related to the adjustments of the Romanian legislation with the regulations of the European Union may affect the legal environment of the Company's business and its financial results. The lack of stable rules, the legislation and the cumbersome procedures for obtaining administrative decisions may also restrict the future development of the Company.

Considering that the legislation increasingly leaves to the discretion of the fiscal body the interpretation of the application of the tax rules, in conjunction with the lack of funds to the state budget and the attempt by any means to bring these funds, we consider this risk a major one for the company, because it cannot be addressed in any way in a real and constructive preventive manner.

Currently, the company has 3 capital increase operations registered with the Trade Register, according to the approval of the shareholders and the decisions of the Board of Directors, operations that are not yet registered with ASF, despite the efforts made by the company. The unclearness regarding the company's capital, as well as the difficulty of registering operations to reduce the share capital are risks that may affect the percentages of free share allocation, dilution of some investors for the benefit of others, etc.



***Business commoditization risk - loss of technological relevance of solutions***

A special case related to the rapid evolution of the IT industry is the tendency of each technology to become "commodity" (very widespread, very widely adopted) and to be very well understood by customers. In such a business environment, the added value of the "resellers" companies is very low, so such a scenario leads to the decrease of the commercial margins for the business lines that are affected by commoditization. All technologies face this risk as their adoption increases. The most eloquent example is Microsoft's licensing business, where most projects are invoiced to customers with very low commercial margins: 0-2%. As other technologies acquire the same dissemination and adoption, their resale also becomes unprofitable.

The company aims to position itself as a value consultant, not as a "commodity" type "boxes" reseller. Tracking technological trends and positioning as a "first mover" helps the company to provide added value through the services provided (consultancy, building technical solutions, installation and simplification, optimization, maintenance).

***Risk of unfair competition***

Commoditized businesses with small margins are prone to unfair competition, in particular through dumping prices. In particular, in Dendrio's business this risk materialises when competitors often offer customers sales prices substantially below the purchase price of those licences. This type of business approach is very difficult and expensive to demonstrate, but it can cause damage to the Issuer by losing some contracts or reducing profitability. The issuer has not identified any solution to prevent this risk. The issuer aims to address new customer types, as well as customers for whom the added value of the solutions is not represented by price reductions, but by the functionality of the solutions offered. The more widespread and adopted the business line is, the added value that can be offered by an integration partner decreases.

The issuer is in constant competition with other participants on the IT market, competition that is expected to intensify. High competition can encourage current as well as potential customers to use the services and products of the Issuer's competitors and thus negatively affect the Issuer's revenues and profitability. Strong competition may result in increased pressure on the Issuer in relation to the prices of products and services offered to customers, which may have a significant impact on the ability of the Issuer to increase or maintain its profitability. The Issuer's competitiveness in the current competitive environment depends to a large extent on its ability to adapt rapidly to new market developments and trends. To the extent that the Issuer will not be able to effectively compete with its competitors, regardless of whether it is a local or international group, this may have a negative effect on the business, financial situation, results of operations and prospects of the Issuer.

***Risk of loss of reputation***

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

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

***Credit risk***

The credit risk is the risk that the debtors of the company will not be able to honour their obligations at maturity due to the deterioration of their financial situation. The company is less exposed to this risk due to the

specificity of the products and services sold, which are addressed to companies of certain sizes with a special financial situation.

The company analyses new customers using specialized tools (sites with specific customer creditworthiness analysis) and has a strict procedure for documenting orders and provision of services or delivery of goods.

However, the company has not identified a solution that can completely eliminate credit risk, which is one of the most important risks for a company of our size.

The company also closely monitors the "soft-collection" processes and decides relatively quickly to switch to hard-collection procedures, which has brought us historic success in recovering receivables.

The automated IT systems alert both the sales team and managers to outstanding customers, which are "tracked" by the sales team for 1 month, so that we prioritize maintaining a good business relationship. Instead, after 1 month of unsuccessful efforts, it resorts to involving an experienced lawyer (and a positive "track record") in the recovery of claims.

### ***Counterparty risk***

Failure by third parties to perform their obligations towards the Issuer, including in connection with the implementation of certain investment projects envisaged by the Issuer or the risk of insolvency in relation thereto may affect the fulfilment of the Issuer's business objectives or its activity or financial situation and, implicitly, its ability to perform its obligations in relation to the Bonds.

A specific example is the situation in which companies from the Issuer's group participate in public procurement procedures, and suppliers do not fulfil their assumed obligations. This scenario may result in the issuance of a "negative certificate" on behalf of the company that participated in the public tender procedure, which would mean exclusion from other procedures in the future, thus eliminating a potential to generate revenues.

### ***Risk associated with interest rates***

The company is exposed to the risk of increasing the interest rate, having contracted loans and loans. Any increase in the interest rate will be reflected in the increase in financial costs. The company regularly monitors the market situation to predict the risk associated with the interest rate and liaises with as many credit institutions as possible in order to ensure an "arbitrage" between their offers.

The company conducted in 2016, 2017, 2018 and 2019 offers of bonds with maturities in 2019, 2022 and 2023 through which it obtained from the capital market a "committed" financing of over 30 million lei. All bond issues are listed on BVB.

In December 2020, the company informed the shareholders about the signing of a bank loan agreement by Dendrio Solutions (a company belonging to the Bittnet group) with ProCredit Bank. The total value of the facility is RON 5,000,000 and the destination of the loan is to finance the working capital and the current activity of Dendrio Solutions. The maturity of the product is 36 months and the interest rate is ROBOR3M+3% per year. The guarantee established for this credit product was: cash collateral deposit 10% of the value.

Also, in February 2020, Bittnet Systems transformed the loan product worth 2,790,000 contracted also with ProCredit Bank from revolving overdraft into a loan with monthly principal and interest reimbursements. The new maturity of the loan was set for a period of 36 months, and the interest rate remained unchanged, ROBOR3M+2.5%.

The company is in constant contact with the banking financial institutions in order to improve the financing structure.

The weighted cost of capital borrowed is slightly above 7.6% per year. We believe that the next financial period (2021 - 2023) will be a period in which the fact that we have fixed the price of the borrowed capital will constitute a competitive advantage.

## Section 4: Information on the Issuer

### 4.1. The legal and commercial name of the issuer:

BITTNET SYSTEMS S.A.

### 4.2. The place of registration of the issuer, its registration number and legal entity identifier (LEI).

The issuer is registered as a commercial company with the Trade Register attached to the Bucharest Court under number J40/3752/2007, tax identification number: 21181848, Code LEI: 315700VUUQHM9VEDRO36

### The date of incorporation and the length of life of the issuer, except where the period is indefinite.

The Issuer's incorporation date is 22.02.2007.

### 4.4. The domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, the address, telephone number of its registered office (or principal place of business if different from its registered office) and website of the issuer, if any, with a disclaimer that the information on the website does not form part of the prospectus unless that information is incorporated by reference into the prospectus.

The Issuer is a joint stock company duly established and operating validly in accordance with the Romanian laws, with its registered office in Str. Soimus, nr. 23, bl.2, ap.24, sector 4, Bucharest, registered with the Trade Register attached to the Bucharest Court under number J40/3752/2007, tax identification number: 21181848. The issuer's business unit is located in Bucharest, sector 6, Bd. Timisoara nr. 26, Office Building Plaza Romania Offices, etaj 1, spatiul PRO-01, , Phone: (+40 21) 527 16 00 Fax: (+40 21) 527 16 98. Issuer's website: [www.bittnet.ro](http://www.bittnet.ro) and <https://investors.bittnet.ro>

The Issuer states that the information on the website is not part of the document, unless this information is included, by reference, in the document.

## Section 5: Business overview

### 5.1. Principal activities

**5.1.1. A description of, and key factors relating to, the nature of the issuer's operations and its principal activities, stating the main categories of products sold and/or services performed for each financial year for the period covered by the historical financial information;**

The issuer operates on the Information Technology market, the Network Infrastructure and IT Training segments. Starting with 2020, the Issuer diversified the area of IT services by investing in the software development company: Softbinator Technologies.

The Bittnet Group has two key divisions:

- **Education**, which consists of the IT training segment where Bittnet Training is the market leader.
- **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.

At the end of 2020, the activities of the group companies were:

- **Bittnet Systems SA** carries out the holding activity plus the IT Training activity, being the undisputed leader on this market in Romania. Revenues in 2020: **RON 12 millions**
- **Equatorial Gaming SA** 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 millions**, 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%.
- **The eLearning company SA** is an entrepreneurial company that offers eLearning courses for companies. Founded in 2012, it has recorded a double increase in revenue by 2020 up to **RON 2,2 millions**. The figures for 2020 are not included in the consolidation in any way.
- **Dendrio Solutions SRL**, 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, provided by Bittnet, Gecad Net and Crescendo. Revenues in 2020: **RON 91,7 millions**
- **Elian Solutions SRL** (CUI: 23037351): Gold certified partner by Microsoft for ERP solutions is a company founded in 2008 and 51% owned by Bittnet Systems SA which generated revenues in 2020 amounting to: **RON 5,24 millions**
- **Softbinator Technologies SA** (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 the Bittnet group became a shareholder in December 2020. Softbinator has had a growth rate of 100% in recent years, recorded in 2020 revenues of **RON 12 millions**. The figures for 2020 are not included in the consolidation in any way.

The company has over 120 employees and collaborators, working for one of the 4 companies in the consolidation perimeter and over 200 if we include the companies in which the Issuer holds minority stakes (The E-Learning Company and Softbinator Technologies).

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(all amounts are expressed in RON, unless otherwise specified)

**TECHNOLOGY DIVISION:** In recent years, the domestic IT market has stood out and excelled as one of the pillars of Romania’s economic growth. According to the Employers’ Association of the Software and IT Services Industry, the Romanian information technology market will grow, at an annual rate of 11%. The estimates are based on the *Software and IT Services in Romania* study, published by the Employers’ Association of the Software and Services Industry, and conducted by Pierre Audoin Consultants.

The IT solutions provided by Bittnet Group include: general consulting services, IT assessment services, implementation and migration services, maintenance and support services, infrastructure optimisation 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. Starting with December 31, 2018, Dendrio also includes the IT&C division of Crescendo International SRL, which was acquired in Q4 2018.

The integrator business means that we offer our clients the solutions and services they need, starting with the initial analysis, design, implementation and testing phase that results in turnkey projects for companies with different IT needs:

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

**EDUCATION DIVISION:** Bittnet has a leadership position on the Romanian IT training market, with a team with 20 years of experience and the largest team of trainers in Romania. Over the years, the company has delivered more than 50 000 hours of IT training and currently has one of the most comprehensive and up-to-date curricula in the EEC region. The trainings provided by Bittnet allow the access of experts to technology by teaching IT skills, from the basic ones (e.g.: 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.

**5.1.2. An indication of any significant new products and/or services that have been introduced and, to the extent the development of new products or services has been publicly disclosed, give the status of their development.**

During 2020, the Issuer continued to build alternatives for clients to consume the services of the group companies. Even if none of these alternatives became significant in 2020 in the sense of exceeding 10% of the group’s revenues, we consider it beneficial to mention them both as development directions and as a demonstration of continuous development.

In the case of **EQUATORIAL**, during 2020, more than 32 virtual learning programs were launched, which became a new curriculum. Based on this experience, we outlined Equatorial’s strategy to position itself as an education partner specialising in the development of human skills for technology professionals and conducted interviews

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to define the learner persona in this segment. Based on the conclusions from the first 3 quarters of 2020, we made a draft of the learning paths and experiences, we tested the approach outlined 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. Also, during 2020 we launched the BonaFides Agency game that develops cognitive skills, and we continued the development of the Oligopoly game that develops entrepreneurial knowledge and skills.

In the case of **BITTNET TRAINING**, the year 2020 meant the development of two important projects with potential for the future development of our division.

For DevOps Artisan, we have signed a contract with global supplier PearsonVue for an initial period of 3 years of production and distribution of certification exams. Starting in December 2020, 3 of the Associate level exams will be available for programming on the official PearsonVue website, both in accredited physical testing centres and in the online proctoring system. We also started the construction and development of the DevOps Artisan partner channel and of the vendor 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 course manuals and laboratories and deliver in the local language.

For the CTRL+N project officially launched in December 2020, we undertook 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, offers Q&A support and virtual or live meetings, connecting participants with instructors in the program. The curriculum currently has 30 lessons launched, 82 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. Also, the first 4 specialisation 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.

In the case of **ELIAN**, together with the migration to the “365 Business Central” solutions and the main vendor - Microsoft -, we obtained the certification for our localisation solution - thus providing clients with an add-on for ERP Business Central systems, add-on which achieves the harmonisation of the IT solution with the Romanian financial-accounting legislation. At the same time, we have developed a way of pricing Elian solutions in the form of a ‘price per user per month’.

In the area of its own portfolio of products developed on the platform “365 Business Central”, Elian consolidated in 2020 through new implementations, its own Retail solutions (optimizing the sales flow at POS, but also fast food production flow), Agricultural Production (focusing the efforts in the management of lease contracts and the management of direct and indirect expenses at culture level) and Textile Production (in 2020 we added the 3rd customer/factory in Elian portfolio, who uses the Dynamics 365 BC solution to manage all operational and end-to-end business flows). Moreover, 2020 also marked the first implementation in the public domain on the cleaning area of public access roads and household waste collection.

For 2021, Elian aims to increase the number of licensed clients in the cloud, thus consolidating the recurring business area, but also the team certification on Dynamics 365 BC SAS (Software As a Service) solution.

In April 2020, **DENDRIO SOLUTIONS** launched a new sales channel – the online store <https://shop.dendrio.com>, aimed at small and medium-sized enterprises. The launch of this channel is part of a broader company strategy to automate as much as possible transactional sales (and which requires an accelerated increase in volumes to deliver at the expected profitability level).

Also, since December 2020, measures have been initiated to group the sales effort into two customer segments - Large companies (Large Accounts) and Small companies (Corporate Accounts). For the two segments, specific product and service portfolios will be available.

## 5.2. Principal markets

**A description of the principal markets in which the issuer competes, including a breakdown of total revenues by operating segment and geographic market for each financial year for the period covered by the historical financial information.**

The group operates on the market of IT&C integration services (consultancy and trade services on technological solutions) and on the adult learning market, especially with a focus on IT training. The division of income between the two areas of activity is strongly influenced by the higher dimension of the IT&C market versus the education market, taking into account that, on the one hand, it is populated by several clients, and on the other hand, it also contains trade with goods representing technological solutions (hardware and software), not only own services provided by the market players. Historically, the division of income between the two divisions of the group is as follows:

	2018	2019	2020
<b>IT&amp;C Integration</b>	83%	87%	88
<b>IT&amp;C Training</b>	17%	13%	12

\*a breakdown of revenues by the two business segments: IT Integration and Training

The main market in 2019 for the products and services offered by the Issuer was, as in previous years, the Romanian market. Exports count for less than 10% of the total turnover.

	2018	2019	2020
<b>Romania</b>	87%	91%	92%
<b>Export</b>	13%	9%	8%

## Market share

Bittnet Group operates in two major markets in the IT field: IT training and integration of IT solutions.

As a result of the lack of independent reports on the Romanian IT training market, the Company relies on its own estimates in terms of market share. The company has the most extensive, but also the most in-depth coverage of the training market, by having unique human resources at expert level. Bittnet is positioning itself as a **market leader in the IT training area**, justifying this by the following:

- It operates in most segments of the training market;
- It is not in competition with the same competitors on more than 2-3 market segments;
- It is either the market leader or the second largest supplier in each market segment. For example, for official Cisco trainings, the company estimates a market share of  $\pm 85\%$ . On the other hand, in terms of Microsoft trainings, the company has a market share of  $\pm 20\%$  of a total of 10 partners in Romania;
- There are market segments for which Bittnet has no competitors (example: Amazon Web Services training partner).

Focusing on the integration market (professional IT services) - served by Dendrio, the wide range of services offered by the Issuer makes it impossible to establish the percentage of market share held. According to the independent study "Software and IT Services in Romania" conducted by Pierre Audoin Consultants at the request of ANIS - Employers Association of the Software and Services Industry, the Romanian IT market had a value of 3.08 billion euros in 2015 (an increase of 21% compared to 2014), this being estimated in 2016 at 3.6 billion euros (an increase of 17% compared to 2015):

(all amounts are expressed in RON, unless otherwise specified)



Starting from the estimation of the total IT market (internal market and outsourcing services) to almost 1 billion euros in 2016, the Company's market share in the area of integration of IT solutions (hardware, software and services) is insignificant, accounting for a value of less than 1% of the market.

However, it must be borne in mind in this market analysis that the estimates for the total IT market also include the purchase of PC equipment, mobile phones, tablets, printers, etc., both by the population and by companies.

The analysis of the company's competitive position must be broken down into the two business lines, as the situations are strongly different. Therefore, Bittnet is positioning itself as a market leader in the IT training area, providing the following justifications:

- it operates in most segments of the IT training market (vendors, technologies, depth level, national coverage, etc.);
- it does not compete with the same competitors on more than 2 market segments, being either the market leader or the second largest supplier on each market segment. For example:
  - for Oracle official trainings, there are 3 authorized suppliers for Romania (Bittnet, EtazU, Jademy)
  - For Microsoft official trainings there are 5-6 authorized suppliers
- There are market segments for which Bittnet has no competitors (e.g.: Amazon Web Services, Cisco, Citrix, etc).

Adding EQG and ELC to this landscape improves our group's competitive position, providing basically a wider product offer for our customers.

Focusing on the integration market (professional IT services), the wide range of services provided by Dendrio makes it impossible to establish the percentage of the market share held. In the IT solutions integration market, there are hundreds of competitors of various sizes, focused on market niches, customer segments, technologies, etc.

Within the activities carried out by the Technology Division, the competitive landscape is very fragmented, with a lack of significant focus on activity segments. We state that Dendrio is the first provider of multi-cloud solutions in Romania (integrating both Amazon Web Services and Microsoft Azure and Google Apps) - a very advantageous competitive position that aims to capitalize the same 'value offer' for customers, as the one highly appreciated in the training business: "one stop shop" for the needs of IT infrastructure (cloud), by complementing with Elian and Softbinator services, but with the expansion of the range of services, although we become more relevant for customers, the market and the number of competitors becomes even higher.

**The important events in the development of the issuer's business**
*Technology Division in 2020*

	31-Dec-20	31-Dec-19	Evolution
<b>Revenues from contracts with clients</b>	<b>96,397,656</b>	<b>86,334,531</b>	<b>11.7%</b>
Revenues from the provision of services	19,270,712	14,190,933	35.8%
Sale of goods	77,126,944	72,143,598	6.9%
<b>Cost of sales</b>	<b>82,701,173</b>	<b>76,295,965</b>	<b>8.4%</b>
The cost of selling goods / materials	68,314,688	64,080,373	6.6%
Cloud services	5,178,219	1,863,093	177.9%
Human Resources	9,208,266	10,352,500	-11.1%
<b>Gross margin</b>	<b>13,696,483</b>	<b>10,038,566</b>	<b>36.4%</b>
<b>Other income</b>	<b>147,984</b>	<b>153,919</b>	<b>-3.86%</b>
<b>Sales/distribution expenses,</b>	<b>(5,203,157)</b>	<b>(4,699,962)</b>	<b>10.7%</b>
Human Resources	(4,636,923)	( 4,126,505)	12.4%
Advertising	(566,234)	(573,457)	-1.26%
<b>Administrative expenses, out of which</b>	<b>(5,666,439)</b>	<b>(7,193,052)</b>	<b>-21.2%</b>
Human Resources	(3,332,564)	(3,734,919)	-10.8%
Amortization	(1,328,914)	(1,183,277)	12.31%
Other third-party services	(551,355)	(686,032)	-19.63%
<b>Operational Profit (EBIT)</b>	<b>2,975,171</b>	<b>(1,700,528)</b>	

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. This change also has a (profound) cultural dimension - the segment with the highest increase in the use of online services is that of the population over 65.

Throughout 2020, several directions were felt that influenced the evolution of Bittnet's technology division and that will make their presence felt in the next years:

- Companies that have a clear digital development/transformation strategy are the first to overcome the crisis phase and start to gather 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 programmes announced by the government and

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the European Union we believe that this segment will enter in a significantly upward dynamic over the coming years (trend started at the end of 2020);

- The potential for technology services remains significant in Romania – according to the DESI index, while we are at the basis of the ranking in terms of technology uptake and integration. Funding 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 [a 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 36% and an increase of over RON 4.6 million in operating profit (from RON -1.7 million to RON +2.9 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.

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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 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.

### *Eliau*

The year 2020 was a year of growth / reorganization for Eliau and, looking at the numbers, we can say that it was the best year in the company's history. Eliau 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% *on prem licensing*, 34% on cloud licensing. As *on prem licensing* is a one time sale, and when licensing on cloud the sale is *recurrent*, is a one-time sale, and on cloud licensing the sale is recurrent, in the medium and longterm keeping the licensing volume with recalibrating the weights between on *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 /

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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.

Some mentions in this respect would be:

- **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).

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- 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 programmer 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 intensive activity for the benefit of the IT industry by ANIS (Employers Association of Software and Services Industry) as „**ANIS Member of the Year**". Also in 2020, the company is appreciated on the most watched platform for employees in Romania – **Undelucram.ro** – as **the top employer, 4th place**, both in the general ranking and in the ranking for IT - classification – being, moreover, **the most appreciated company 100 % Romanian from the top..**

**Education Division in 2020**

	31/Dec/20	31/Dec/19	Evolution
Revenues from contracts with clients	12,794,103	11,677,014	9.6%
Cost of sales	(5,024,193)	(5,270,303)	-4.7%
Cost of sale of goods/materials	(878,855)	(967,339)	-9.1%
Human Resources	(4,145,337)	(4,302,964)	-3.7%
Gross margin	7,769,911	6,406,711	21.3%
Other incomes	303,544	503,815	-40.2%
Sales/distribution expenses	(2,305,830)	(2,571,234)	-10.3%
Human Resources	(1,732,169)	(2,194,276)	-21.1%
Advertising	( 573,661)	( 376,958)	52%
Administrative costs	(2,812,191)	(3,086,637)	-8.9%
Out of which:			
Human Resources	(1,239,551)	(1,132,317)	9.5%
Travel and transportation expenses	( 7,476)	( 41,327)	-81.9%
Amortization	(665,063)	(719,460)	-7.6%
Other third party services	( 406,643)	(433,483)	-6.2%
Receivables adjustments	(63,815)	75,482	-
Others	( 235,170)	(489,880)	-52.0%
<b>Operational Profit (EBIT)</b>	<b>2,955,433</b>	<b>1,252,655</b>	<b>135.9%</b>

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 better activity versus 2019, where Equatorial has registered a significant decrease of revenues.

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 61% 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 [the DevOps Artisan](#) project and the partner channel, entering the professional reconversion market in IT through [the CTLN+N](#) project and acquiring a stake in The e-Learning Company, a company that has the exclusive use of SkillSoft 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 will be available for programming on the official PearsonVue website, both in accredited physical testing centres 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](http://www.pearsonvue.com)
- we started the construction and development of the DevOps Artisan partner channel and of the vendor 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 course manuals and 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, offers 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.
- in2020 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.

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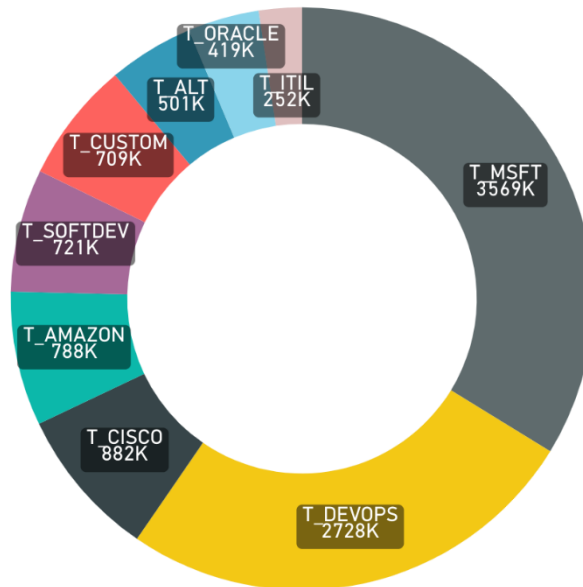


- regarding the Amazon Web Services vendor (AWS), in 2020, through the funding programs supported by it, over 128 participants with AWS partner status participated in AWS training and certification programs. Following the need to correctly identify, analyze and report the need to learn from companies, in 2020 we worked with the vendor to position a new tool built with a focus in "Learning Need Analysis" in organizations using AWS technology.

**Delivery:**

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

The most sold IT training products, with sales of over 200 thousand lei, are reproduced below:



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### Equatorial

The year-end activity focused on traditional classroom implementations, reaching 46 days of training by mid-March and entering the lockdown.

In the remaining 9 months of 2020, Equatorial activity focused on the following directions:

- **Digitalisation of learning programmes**
  - Creating digital content: The portfolio at the end of 2020 summarizes 32 software skills themes resulting from the transfer of offline programs online plus those created directly for virtual delivery, adapted to the new requirements.
  - Extending the use of the VRUNNERS based learning game platform: One of the 5 projects gamified with VRUNNERS in 2020 is running for the Human Resources Excellence Awards Gala 2021, organized by the HR Club.
- **Development of digital expertise of Equatorial trainers**: We have prepared the team of trainers to implement digital content in Webex Training and Zoom online training platforms.
- **The launch of the game Bona Fides Agency**: 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 since its launch, 574 players were registered in the app, while the site was visited by 1791 people, 21.79% of whom were from other countries, without the game being actively promoted outside Romania.
- **Understanding the impact of the pandemic crisis** on the market and the behaviour of customers and participants
  - Market research: In order to understand what the dynamics of the market we serve will look like in the near future, in the first half of 2020 we conducted together with Bittnet Training a market study on the impact of COVID-19 on learning and development processes in companies in Romania.
  - L&D Café: We initiated and conducted a series of virtual meetings with representatives of the L&D function from 30 multinational companies, which allowed guests to exchange information and ideas, sharing the challenges they faced and the solutions they found to respond to these challenges in a short time.
  - Interviews defining buyer persons: To recalibrate the market approach, we interviewed clients to understand their challenges and preferences in accessing solutions that respond to them. The conclusions resulted in changes in the internal structure and the customer relationship process.
- **Equatorial strategic repositioning**: Based on this experience, we outlined Equatorial's strategy to position itself as an education partner specialising 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 have developed a draft of the learning paths and experiences. We tested the approach outlined in the form of mock-ups; we integrated feedback in order to prepare the content for the pilot phase, which will take place in Q1, 2021.
- **ANIS strategic project - European funds – 2020 – 2021**: The overall objective of the project is to improve the level of information technology knowledge/skills of employees in information and communication technology SMEs.

### *The e-Learning Company*

The year 2020 brought for The e-Learning Company a doubling of the turnover compared to 2019 and a more than 5-fold increase of the profit reported also in 2019. The reasons for growth were multiple and although e-learning was a privileged area in the pandemic, the foundations for growth have been laid since 2019 since The e-Learning Company's decision to invest in Romanian localized video content from Skillsoft. Thus, at the end of March 2020 550 course modules were available in our catalogue, of which 526 Skillsoft course modules located in Romanian and 24 English language learning course modules.

So the moment when the catalog was completed coincided with the beginning of the lockdown and, therefore, the beginning of the use of online courses instead of classroom courses. In a context in which, in November 2019, when the pandemic was not anticipated, The e-Learning Company was selected to provide e-learning services for CPBR member banks from the end of March 2020, part of the increase was due to the start of this project and another part was due to clients who, in the pandemic, sought e-learning solutions to compensate for the lack of courses in the room.

In 2020, a number of customers chose to switch to e-learning content without having LMS platforms, which made the iKnowLMS proprietary platform required together with the Skillsoft course catalogue in Romanian. The decision to have, in addition to content, an easy-to-use LMS platform has been strategic since the advent of The e-Learning Company so that, in 2020, we reached about 45,000 users of the iKnowLMS platform.

It should be noted that the iKnowLMS course and platform access rate has increased from an average of 10% in previous years to about 20% for courses in the course catalogue and a platform access rate of over 90% for customers adding custom programs to the platform.

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

In 2020 we kept the same number of employees, but we have the support of the collaborators we activate when we have projects so that there is control over expenditure. For 2021 it is possible to increase the team to the extent that the turnover increase will be higher.

## 5.4 Strategy and objectives

**A description of the issuer's business strategy and objectives, both financial and non-financial (if any). This description shall take into account the issuer's future challenges and prospects.**

We believe that the acceleration of the digitalisation of entrepreneurial companies is the engine of the development of the CEE economy and we want to have a decisive role in this process. That is why the strategy of the Bittnet Group is to become a platform of professional services in the field of technology and education, starting from our traditional, basic competencies, where we have competitive advantages, combining access to human resources with access to clients and access to financing through capital market mechanisms.

This business strategy is based on 3 pillars:

1. Continuous development of the portfolio of products and services offered, in line with global technological and socio-economic trends. We follow this approach both at the level of individual companies, by continuously adapting the services offered to market requirements (adding new products and services, eliminating products or services that are no longer of interest to clients, adding new ways of consuming our products and services) as well as at group level, through national and regional expansion, based on M&A activities.
2. The continuous strengthening of the financial position, both through the organisational development of the group companies, with the capitalisation of profits, and through successive, annual capital increases, in order to have a more solid financial base, to position the issuer as a main alternative for both clients but also for other companies in the field, who want to join an IT platform representative for Romania, EEC or (in the more distant future) Europe.
3. Development of strategic partnerships. This takes the form of participation in joint ventures of companies with common interests and activities, the search for partners to distribute our products and services to their clients, the search for partners from whom to purchase "bulk" products and services to resell to clients and our partners, the search for investment partners with whom to increase the capacity to carry out M&A projects.

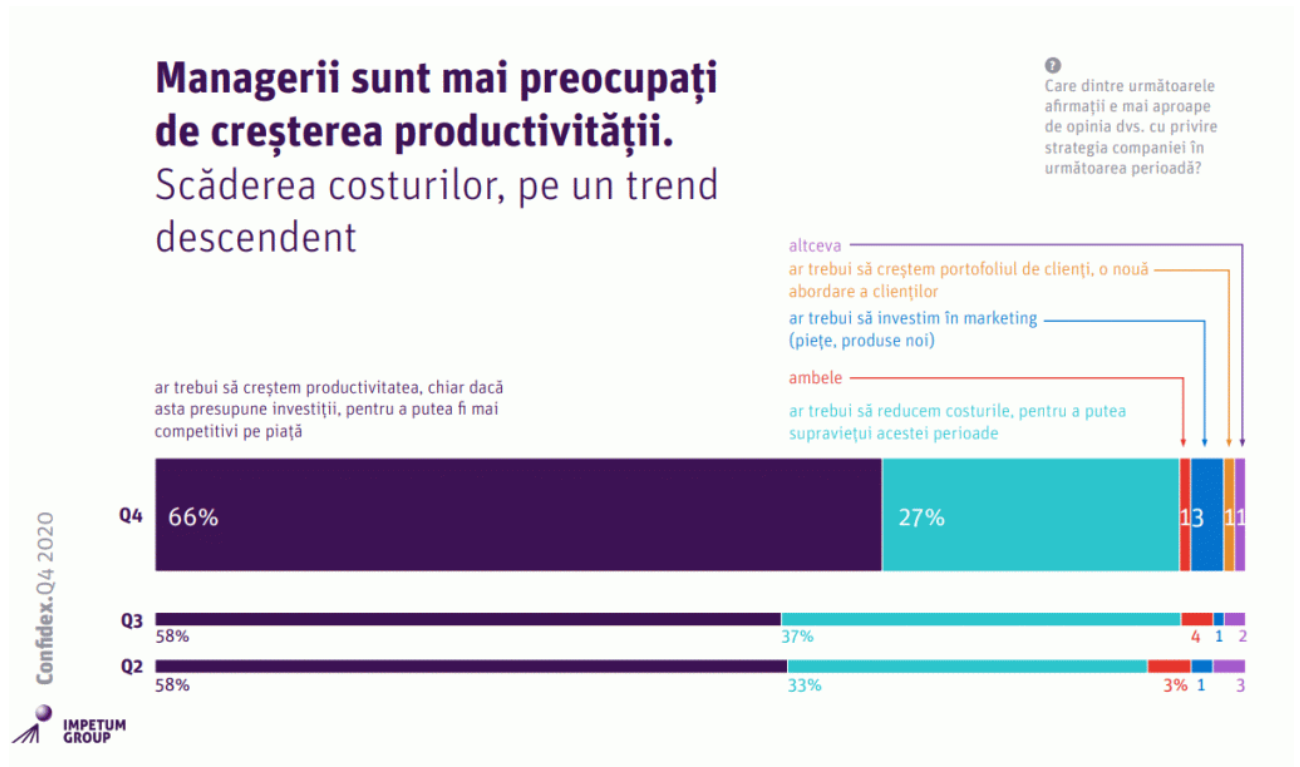
Looking to the future, we predict a period of several years to come with the unprecedented acceleration of digital processes across the economy, without major political events, and we are confident that we will continue to see significant revenue growth:

- 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 respect, the programs and initiatives on our agenda such as the CTRL + N national reconversion project or the DevOps Artisan international platform were launched in advance and today, we are better positioned to meet the needs in the area of digital skills development.
- for the technology division, as organisations continue on their path to digitalisation, forced to adapt to the new context with funding either from their own resources or from accessing government programs backed by EU funding for digitisation. Confidex study for Q4 2020, recently published by Impetum Group, which analysed more than 700 companies with businesses of over 1 million euros, shows increased attention to digitalisation, investments to increase productivity, but also the implementation of telework in the proportion of 50% - in the case of more than half of the companies. We will capitalize on these trends by increasing the degree of specialization at the level of the technology division - focusing on technologies and services centered on automation, on Software Defined "Network/Datacenter/Infrastructure" architectures, on specialized applications on specific industries or business flows. Last but not least, we are convinced that in 2021 the regional market will adopt on a larger scale the concept of "Managed Services" - companies consuming IT services through subscription or mixed contracts. In this way companies can benefit from optimized cash flows, an

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intrinsic guarantee of the optimal functioning of technology resources and the maximum use of human capital in critical processes.



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, as will the adoption of new technologies. In addition, the measures adopted by the Government support the direction of digitalisation as a pillar of economic recovery.

The year 2020 has demonstrated how important digital assets have become to our economies and how networking and connectivity, data, artificial intelligence and basic and advanced digital skills support our economies and societies, enabling work to continue, tracking the spread of the virus and accelerating the search for 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, in which there are two unicorns, a wide range of talents and a significant percentage of users of digital services.

According to the DESI index conducted by the EU since 2014, which measures the degree of digitalisation 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 with the European average. Therefore, we 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 EEC region have a great potential to reduce the gaps with the advanced economies of the EU.

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

(all amounts are expressed in RON, unless otherwise specified)

- On December 1, 2020, we launched the CTRL + N professional retraining 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 lessons offered by 5 of our trainers. So far, 82 Romanians have subscribed to the courses, some of them through the scholarship program launched with our partners, others financially supported by their companies or even from 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 have 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 digitalisation of entrepreneurship in Romania. These steps started in 2020 and we hope they will continue, in an accelerated way - in 2021 as well. An extremely important aspect is the alignment of these approaches of the technology division with the National Recovery and Resilience Plan - respectively the digitisation programs for SMEs.

An extremely important project started in 2020, which will continue in 2021, is the rethinking of business processes and modelling of IT platforms, to support them depending on the buying journey of our clients. 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 clients, increasing the value we can bring to the table, while managing to improve operational efficiency parameters (conversion rates from prospects to clients and finally to loyal and recurring clients). Moreover, it allows us to attract in a more structured way new clients 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 percentage of profitability.

The widespread concern for reinventing the business model at the level of each organisation, pursuing and adapting successful models of SaaS-type companies (subscription based, Software as a Service), has led to multiple changes in the way we prospect new clients, 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 clients. The upgrade of IT platforms to track these processes started in 2020 and will continue in 2021.

Starting from here, 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 and dedicated client success teams.

Increased attention has been paid 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 organisation, we rethought the way we attract, recruit and onboard new colleagues so as to increase the degree of belonging to the business values we believe in.

Starting with 2021, we will start an internal management and leadership academy based on which we will build key skills at the level of the entire organisation, offering career development paths to the best of our colleagues.

### **Growth through M&As**

If until now we have explained about the organic evolution of the group and about the continuity of plans aimed at a better organisation, we 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 averages companies of EEC.

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, shareholders approved the first 4 transactions in Romanian companies with growth potential that complete the digital transformation offer of the group. Until the publication of this report, we have already made 3 significant transactions for the development of the group starting with 2021:

- The almost complete acquisition of Equatorial Gaming shares so that we reached a proportion of 99% of the company, in order to fully integrate operations in the area of Bittnet Education, once validated that the model is correct and that the team shares our values; Read more [HERE](#).
- Entering the shareholding of the educational services company "The eLearning Company" - which instantly expanded the product portfolio with trainings in eLearning format but also that of clients, to whom we can now propose more complex solutions, based on the UXI platform and our "core" trainings. Read more [HERE](#).
- Entering the shareholding of the "Softbinator" company - a Romanian software development company that has had an annualised growth even higher than that of Bittnet in recent years. This important area of the IT&C service landscape has so far been missing from our portfolio, and we believe we have a good chance to get this journey off to a good start. Read more [HERE](#).

On the other hand, in October 2020, we participated in the private placement for Safetech Innovations shares (SAFE stock symbol) where, due to the high degree of oversubscription, we were able to place only an amount of approximately 300 thousand lei. So far, our investment has yielded about 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 marketable liquid assets.

We estimate that during 2021 the M&A activity will be intense; therefore, 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 previously communicated international expansion plans.

On March 1, 2021, Bittnet informed investors about the signing of an M&A investment agreement with Servodata a.s. (a company operating in the Czech IT&C industry).

According to the investment plan, Bittnet will buy 35% of the share capital of Servodata from Moore Czech Republic, for an estimated amount of EUR 1.4 million, amount that will be settled in BNET shares in a future share capital increase operation. The actual number of shares to be issued shall be determined in accordance with the provisions of art. 210(2) of Law 31/1990 and art. 87-88 of Law 24/2017 on issuers of financial instruments and market operations and art. 174 of ASF Regulation no. 5/2018. This valuation provides a multiple EV/EBITDA of 6.4x, which makes the payment with BNET shares advantageous for all parties involved, including existing Bittnet shareholders.

In addition, Bittnet will provide financing in the form of a loan (either directly or through the provision of securities) up to the amount of 2 million euros in the next 3 years, based on Servodata's development projects.

The transaction shall be subject to approval at a General Meeting of Shareholders (both of Bittnet and of Servodata), and shall be subject to the successful completion of the due diligence process. In case of successful completion of the investment, the board of directors of Servodata will consist of 5 members, 2 seats belonging to the shareholder Bittnet. According to the investment contract, Servodata will start distributing cash dividends in a proportion of maximum 30% of the annual profit starting with the next fiscal year. In 2020, Servodata achieved total revenues of 10 million euros and EBITDA of 1 million euros.

Servodata has been active in the IT & C industry for 30 years and offers customers solutions similar to Dendrio Solutions. Headquartered in Prague, the company has in its portfolio competencies in integrating technologies from international vendors: Dell, HP, Microsoft in terms of design and implementation of technology

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(all amounts are expressed in RON, unless otherwise specified)

infrastructure, IT consulting, designer, outsourcing of IT services. In the field of development, Servodata mainly focuses on the implementation of business intelligence solutions. The company is investing heavily in cybersecurity and has recently significantly expanded its position in Slovakia. The company has 70 IT specialists: designers, architects, developers and consultants. For 2021, Servodata has a budgeted turnover of 12 million euros, EBITDA of 2.5 million euros and a profit of 1.5 million euros.

For additional information we invite investors to access the website of Servodata a.s. at the following link: <https://www.servodata.net/en/> . The investment will be submitted to the vote of Bittnet shareholders in the GMS of April 27, 2021.

**We reiterate the belief that accelerating the digitalisation 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 undertook the intention to reach a value of the BNET group's turnover of EUR 100 million in the next 4 years.**

**5.5 If material to the issuer's business or profitability, summary information regarding the extent to which the issuer is dependent, on patents or licences, industrial, commercial or financial contracts or new manufacturing processes.**

This is not the case, the Issuer is not dependent on patents or licenses, industrial, commercial or financial contracts, new manufacturing processes so that they have a significant measure on the commercial activities or profitability of the issuer.

The issuer delivers technology (IT&C) solutions as well as training courses based on partnerships with major IT&C technology manufacturers such as Microsoft, Cisco, Amazon Web services, Oracle, Autodesk, etc. each of these manufacturers maintains specific licensing and certification policies for partners – the “channel of partners” (for both IT&C solution integration activities and trainings). Should such a producer decide that the entities in the Bittnet group no longer have the right to continue reselling the solutions of that producer, this would have a significant influence on the group's revenues. We believe that the certifications that group companies have from manufacturers are helpful by increasing our ability to attract customers and gain profitability (including through rebates from manufacturers). Similarly, loss of relationship with a manufacturer (loss of the right to sell certain solutions (especially from key partners such as Cisco or Microsoft would cause a problem for the Issuer).

In the case of Softbinator, there is no dependence on patents. In the case of the e-Learning Company ('ELC'), the company derives most of its revenue in relation to the international leading developer of eLearning courses Skillsoft. The loss of this partnership would have a significant negative influence on the revenues of the ELC.

**5.6 The basis for any statements made by the issuer regarding its competitive position.**

The issuer bases its competitive position statements on its own estimates, built either by analyzing the data available from the Ministry of Public Finance (on the business of companies deemed to be competitors) or by analyzing the feedback received by the sales team from interactions with existing and potential customers.



## 5.7 Investments

### 5.7.1. A description, (including the amount) of the issuer's material investments for each financial year for the period covered by the historical financial information up to the date of the registration document.

As of the date of publication of the latest financial statements, the Issuer has not initiated and has not carried out any significant investment program. At the end of the financial year, the consolidated statement of non-current assets was as follows:

	31/Dec/18	31/Dec/19	31/Dec/20	Various Explanation
1 Goodwill	12,241,308	17,701,643	21,082,977	Goodwill EQG*
2 Other intangible assets	6,099,112	6,425,725	8,820,959	**below
3 Tangible assets	2,003,818	6,742,571	5,444,104	Depreciation
4 Equivalent securities	1,230,328	1,236,738	8,527,500	SFB investment
5 Other financial assets	1,056,588	1,107,049	7,483	Conversion of EQG loan into shares

\* EQG assets entered into consolidation on 31.12.2020 and were not included in 2019

\*\* During 2020, the Issuer made the following investments, according to the AGA approvals (M&A investments and investment budget, BVC component approved by the shareholders in April 2020) – the figures are in RON:

- Investments in Bittnet+Dendrio IT platforms: ± RON 900,000
- Investments in intellectual property EQG: RON 1,05 millions
- Equatorial Brand: ± RON 650.000

### 5.7.1.B Specifying the location and characteristics of the main production capacities owned by the company.

The specific activity of the Company does not imply the holding of significant tangible assets. The company owns the computing technique (laptops, servers, mobile phones), office furniture, multifunctional printers and networking equipment organized in the form of course laboratories and demonstration laboratory for technological solutions. Most of these assets were purchased with non-reimbursable financing Regio, SMIS project code 18446.

All tangible assets of the company are found at the place of business in Bd. Timisoara nr. 26, 1st floor, Plaza Offices, District 6, Bucharest.

Dendrio Solutions SRL – a company wholly owned by the Issuer - made a 'business transfer' investment from Crescendo International at the end of 2018. According to the evaluation report made by an independent evaluator, the company transferred tangible assets (IT equipment and cars), morally worn, with a low degree of physical wear and tear, amounting to 1.53 million lei, all being at the company's working point in 26 Timisoara Blvd., 1st floor, Plaza Offices, District 6, Bucharest.

Starting with 2019, by applying IFRS 16, the financial statements of the issuer include in the positions of tangible assets both the working point (the actual rented space at the mall) and the furniture and IT office equipment (rented from Grenke) that equip this space. All tangible assets recognized in the financial statements are located at the working point in 26 Timisoara Blvd, sector 6 Bucharest. By way of exception, the assets that are by their non-fixed nature (cars, laptops) can be found at various times in various other geographical locations.

### 5.7.1.C Description and analysis of the degree of wear and tear of the company's properties.

The IT equipment owned by the company has a low degree of physical wear specific to the office activity. From the point of view of moral wear, most of the equipment owned is morally outdated. However, with the relocation to the new headquarters, the company carried out a gradual renovation of the IT equipment used

(all amounts are expressed in RON, unless otherwise specified)

by employees and trainees, opting in this respect for a 'pay as you use' approach - renting the equipment and not investing in tangible assets - according to the mandate granted in the AGOA in April 2017.

This approach was applied to all tangible assets that could benefit from financing: glass partitions, carpet, chairs, offices, laptops, PCs, monitors, network equipment, security equipment, software licenses, etc.. The company intends to continue this model of using tangible assets. These assets are new, with low wear and tear, and are now recognised as assets under IFRS 16.

#### **5.7.1.C. Specifying potential problems related to ownership of tangible assets of the company.**

Non-current assets recognised under IFRS 16 are not the property of the Issuer but are leased by the Issuer from their owners. This is not an "issue" but a "feature" of such contracts (operational leasing or long-term rental).

#### **5.7.1. D New products envisaged for which a substantial volume of assets will be affected in the next financial year as well as the stage of development of these products.**

The company's development plan includes the following pillars, which have as their component the addition of new products and services. Every new product or service that is added to Bittnet's offer at some point starts from a specific demand, volume, in the market, among our customers. Thus, there are no new products for development to which substantial resources will be allocated, each addition being made under "breakeven" conditions.

**Strengthening the position of leader on the IT Training market**, with the intention of maintaining the perception of IT training provider 'one stop shop', in which the customer finds the entire range of IT courses. We pursue this objective including by developing new products (either by accessing partnership programs, as well as by developing our own curricula) or by adding new delivery or access options to our educational programs. Each year, the budget allocated to these developments is approved by the general meeting of shareholders. For 2021 the proposed value will be maximum 5,000,000 lei, as a general ceiling dedicated to these objectives.

**Continuous development and creation of strategic partnerships** with companies with similar or complementary profiles, which allow the opening of a possible 'resale channel' and which allow each party to offer additional services to its customers.

**A special step started in previous years and which will continue in 2021 for Bittnet Training was the start of the development of the UXI platform** - a *Learning Management System* that allows our clients to manage, monitor and analyze the results of the learning projects they are building with us. UXI gains time for HR departments, brings visibility to our students' managers and offers them the opportunity and responsibility of the learning process.

In the case of Equatorial, in 2020 we allocated resources to the completion and market launch of the 3 new games: Oligopoly, Bona Fides and White Hat. In 2021 we will continue to develop platforms and invest in promoting them on the market.

Depending on the economic situation, we intend to allocate time and resources for migration also in the case of the technology division to the delivery of as many services and products as possible through online platforms. In this respect, we have launched the dendrio online shop, and we will continue to allocate resources to its development - maximum 5,000,000 lei in 2021.

Especially for 2021, we believe that an important part of the business growth will continue to come from the resale and implementation of solutions based on "Cloud", "IT Security" and "Managed Services" technologies. We intend to position the group's solutions, based on the team's evolving competencies. Cybersecurity is an

area where the group has always excelled, our competencies being certified by multiple relevant locations in the IT security industry such as Cisco, Checkpoint, Bitdefender, etc. Cloud, Mobility or IoT solutions that are the technological trends of 2019 cannot be designed without a serious IT security component, and Bittnet Group is ready to support customers in this respect

**5.7.2. A description of any material investments of the issuer that are in progress or for which firm commitments have already been made, including the geographic distribution of these investments (home and abroad) and the method of financing (internal or external).**

The issuer invests continuously in the development of its systems, information access technology platforms, internal management and IT applications that can be provided to customers (Equatorial Games, DevOPs courses, UXI Platform). None of these investments exceeds the statutory limit of 20 % of fixed assets and are included within the investment budget approved by the shareholders each year. The sources of funding related to investment in the development of internal IT systems and technology platforms are the internal ones.

For 2021 the issuer signed an investment principle agreement in the Czech company ServOData a.s. , which provides for loan financing of up to EUR 2.000.000 (cash or group guarantees) over the next 2 years after the transaction is completed.

**5.7.3. Information relating to the joint ventures and undertakings in which the issuer holds a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.**

The issuer holds participations in the share capital of other companies as follows:

- Equatorial Gaming SA (CUI 30582237) currently owned 99% by Bittnet Systems SA is a game-based learning company that offers softskills training for the IT industry, both in classic and gamified form. Revenues in 2020, amounting to RON 1,14 millions, 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%.
- The eLearning company SA (CUI 30760571): 23% owned by Bittnet Systems SA, is an entrepreneurial company that offers eLearning courses for companies. Founded in 2012, it has recorded a double increase in revenue by 2020 up to RON 2,2 millions. The figures 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, provided by Bittnet, Gecad Net and Crescendo. Revenues in 2020: **RON 91,7 millions**
- **Eliau Solutions SRL** (CUI : Eliau Solutions SRL (CUI: 23037351 ):Gold certified partner by Microsoft for ERP solutions is a company founded in 2008 and 51% owned by Bittnet Systems SA which generated revenues in 2020 amounting to: **RON 5,24 millions**
- **Softbinator Technologies SA** (CUI : Softbinator Technologies SA (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 the Bittnet group became a shareholder in December 2020 . Softbinator has had a growth rate of 100% in recent years, recorded in 2020 revenues of 12 milioane lei. The figures for 2020 are not included in the consolidation in any way.

On March 1, 2021, the Issuer announced the signing of an agreement of intent on an M&A type investment, in the share capital of Servodata a.s. based in the Czech Republic. This transaction was not completed at the time of submitting this document. The details are shown [here](#).

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(all amounts are expressed in RON, unless otherwise specified)

**5.7.4. A description of any environmental issues that may affect the issuer's utilisation of the tangible fixed assets.**

Not applicable Not applicable

**5.8 Specifying information on the safety of the sources of supply and on the prices of raw materials and on the sizes of stocks of raw materials and materials.**

For the business line "IT solutions integration" the company "supplies" with IT equipment and licenses (hardware and software) - which are resold as goods to customers. The supply of goods is made from importers / distributors - companies present in Romania. For none of the types of equipment or licenses sold there are 'single importer' situations, so the security of supply does not depend on the relationship with a particular supplier. The issuer maintains commercial relations with several distributors, with significant turnover with each of them.

For the "Education" business line, the group "supplies" with course manuals and access to official virtual laboratories, from multiple global external partners or directly from manufacturers but also with services subcontracted from partners: either companies or independent subcontractors (freelancers). There are no 'single supplier' situations in this area either, Bittnet maintaining relationships with several partners in each area of activity.

All previously described relationships are created based on partnerships with IT manufacturers (Cisco, Microsoft, Oracle, Amazon Web Services, ITIL, VMware, Dell, HP, etc.). These partnerships offer access for Bittnet to the producers' offer and discount systems, and distributors/importers' transfer 'the price conditions obtained from the producers. Relations with IT solutions manufacturers are maintained by periodically renewing the competencies and certifications of our company. Each of these relationships is important for Bittnet and each year we carry out the activities necessary to maintain the "status" in relation to these vendors.

The overwhelming majority of the products and services delivered by Bittnet for which supply from producers is required are not subject to price risk, because the price lists of the major producers are published for one year in advance, and these companies have the size and processes necessary to sustain prices during the fiscal year. At the same time, Bittnet places orders with suppliers only based on orders from customers, so the period of time during which the price could fluctuate is very short (maximum 1 week). In conjunction with the previous explanation, we consider that price fluctuations in raw materials and materials are not a risk factor for the company.

As a basic rule, the Issuer does not operate with stocks, transmitting orders to suppliers based on firm orders from customers.

This situation is not similar for ELC, which has two main sides:

- The iKnowLMS Platform is an own IP product.
- Skillsoft romanian language courses are subject to a royalty systems , where the IP resides completely with Skillsoft, but ELC is the sole distributor until 2023, since we have developed the localization using ELC resources.

**5.9 Description of any significant dependence of the company on a single customer or on a group of customers whose loss would have a negative impact on the company's income.**

In describing the structure of sales, the concentration of turnover and the risk of loss of significant customers, several considerations must be considered, applicable to the vast majority of turnover (over 70%)

- the company does not have multiple, recurring delivery contracts. The type of products and services delivered are more suitable for the "framework contract with one-off orders" approach.

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(all amounts are expressed in RON, unless otherwise specified)

- recurrence of customers, the fact that they return and buy again from Bittnet is the result of the combination of two factors: our technical capacity to deliver products and services with a high degree of specialization and the demonstrated quality level at which we provide these services.

Due to these factors, with the passage of time, relations with our “resellers” type partners, but also with customers, solidify, Bittnet gaining more and more trust in their eyes, which leads them to involve us in several larger projects. On the other hand, as we increased both the number of customers served and the type of products, their concentration decreased significantly compared to the first years as a listed company. As in 2019, in 2020, the top 10 clients accounted for about 36% of turnover. Of these, however, 21% represented sales made to the final customers of these partners (resale channel for us)

Telecom Operator (reseller) 1	6,47%
Reseller Partner 1	5,40%
Bank	3,73%
Telecom Operator (reseller) 2	3,26%
Telecom Operator (reseller) 3	3,27%
Global IT Local 1	3,24%
Telecom Operator	2,88%
Public Sector 1	2,68%
Courier company	2,57%
Reseller Partner 2	2,58%

## Section 6: Organisational structure

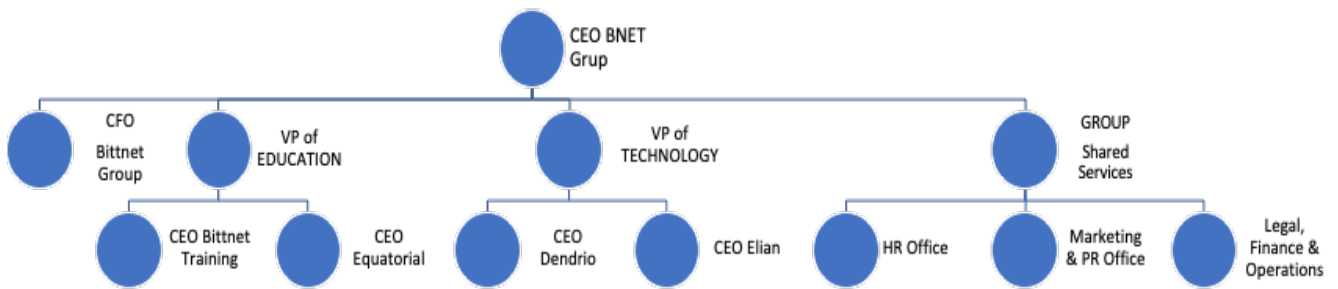
**6.1 If the issuer is part of a group, a brief description of the group and the issuer's position within the group. This may be in the form of, or accompanied by, a diagram of the organisational structure if this helps to clarify the structure.**

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

- Bittnet Systems SA (CUI 21181848): the parent company of the group, listed on BVB. It carries out the holding activity plus the IT Training activity, being the undoubted leader on this market in Romania. Revenues in 2020: **RON 12 millions**
- Equatorial Gaming SA (CUI 30582237) is a game-based learning company that offers softskills training for the IT industry, both in classic and gamified form. Revenues in 2020, amounting to RON 1,14 millions, 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%.
- The eLearning company SA (CUI 30760571): is an entrepreneurial company that offers eLearning courses for companies. Founded in 2012, it has recorded a double increase in revenue by 2020 up to RON 2,2 millions. The figures 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, provided by Bittnet, Gecad Net and Crescendo. Revenues in 2020: **RON 91,7 millions**
- **Elian Solutions SRL** (CUI : Elian Solutions SRL (CUI: 23037351 ): Gold certified partner by Microsoft for ERP solutions is a company founded in 2008 and which generated revenues in 2020 amounting to 5,24 milioane lei.
- **Softbinator Technologies SA** (CUI : Softbinator Technologies SA (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 the Bittnet group became a shareholder in December 2020 . Softbinator has had a growth rate of 100% in recent years, recorded in 2020 revenues of 12 milioane lei. The figures for 2020 are not included in the consolidation in any way.

From an operational point of view, the activities of Equatorial, Elian, Softbinator, The E-Learning Company are managed separately, and the consolidated organizational chart for Dendrio and Bittnet is:

Group companies are managed operationally in a very decentralized manner. At group level there are only a few centralized functions, according to the organizational chart below. The senior management of the group, together with the persons entitled "Vice President" follow the governance efforts of the companies in the group, providing both support and 'conflict resolution' . Both the executive management and the strategic development committee aim to respect the values of the group at all levels.



**A list of the issuer’s significant subsidiaries, including name, country of incorporation or residence, the proportion of ownership interest held and, if different, the proportion of voting power held.**

The issuer holds participations in the share capital of other companies as follows:

- Equatorial Gaming SA (CUI 30582237) is 99% owned by Bittnet.
- The eLearning company SA (CUI 30760571): 23% owned by Bittnet
- Dendrio Solutions SRL (CUI 11973883 ) is owned in full by the Issuers
- **Elian Solutions SRL** (CUI : Elian Solutions SRL (CUI: 23037351 ) 51% owned by Bittnet
- **Softbinator Technologies SA** (CUI : Softbinator Technologies SA (CUI: 38043696)- 25% owned by the Issuer
- Servodata a.s.drom the Czech Republic – The issuer has signed an investment agreement in which it could hold 35% of the shares of this company, following the successful completion of the transaction.

There were no significant mergers or reorganisations of the issuer, its subsidiaries or controlled companies during the financial year.

## Section 7: Financial condition

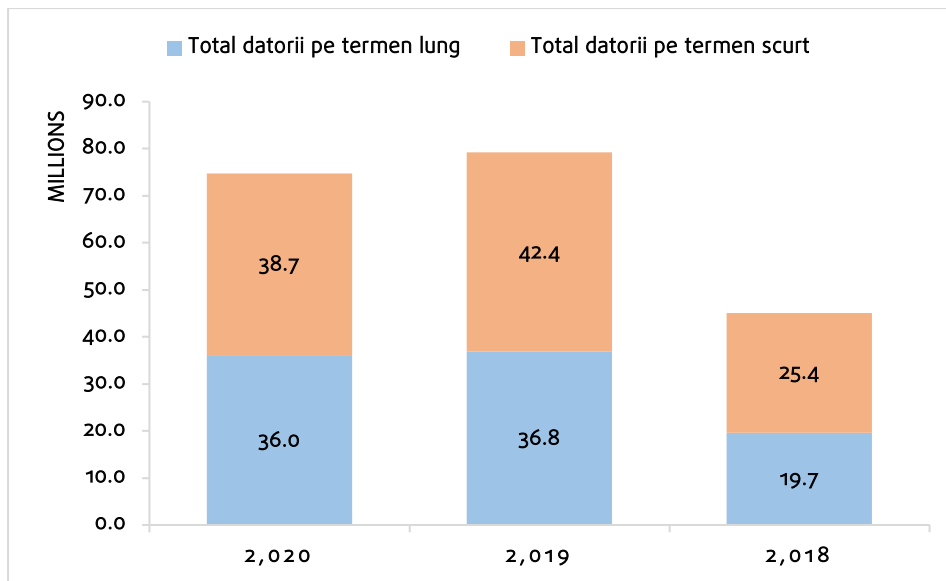
### 7.1 Financial condition

To the extent not covered elsewhere in the registration document and to the extent necessary for an understanding of the issuer's business as a whole, a fair review of the development and performance of the issuer's business and of its position for each year and interim period for which historical financial information is required, including the causes of material changes. The review shall be a balanced and comprehensive analysis of the development and performance of the issuer's business and of its position, consistent with the size and complexity of the business. To the extent necessary for an understanding of the issuer's development, performance or position, the analysis shall include both financial and, where appropriate, non-financial Key Performance Indicators relevant to the particular business. The analysis shall, where appropriate, include references to, and additional explanations of, amounts reported in the annual financial statements.

Current assets remained stationary around RON 55 million, out of which the cash represented 44%, up from 38% in 2019. Fixed assets increased by RON 7,5 million, that is the value of the M&A concluded in 2020.

Equity increased by more than 120% (from RON 12 to RON 27 million), and the total liabilities (RON 72 million in 2020 versus 76 in 2019) and their split between short and long term remained similar: 50%

What we consider very relevant is that we have achieved at the same time the improvement of the cash position and the maintenance of an overunitary degree of coverage for commercial debts with commercial claims (figures in million RON)

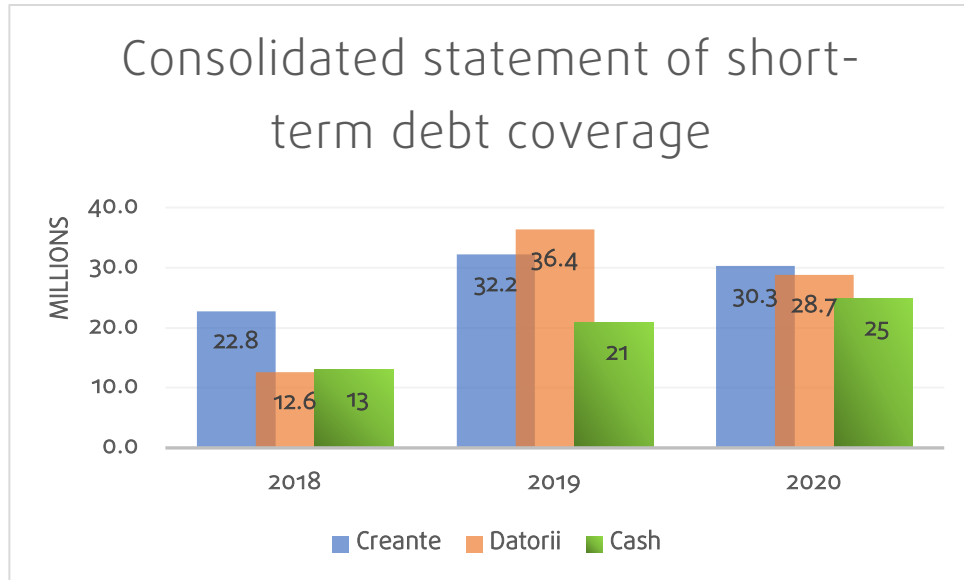


We affirm that the group's financial situation is sound, based on the following elements:

- The percentage of long-term liabilities in total debt records a slightly positive trend – in other words, an increasing proportion of the group's debts have a payment term of more than one year, therefore, ensuring stability.
- Short-term debts are covered by short-term claims, the cash position approximately equal to them representing a safe margin of  $\pm 100\%$ .

(all amounts are expressed in RON, unless otherwise specified)





The upper dimension of the balance sheet recorded in the years 2019 and 2020 versus 2018 and before is the new size of the group resulting from multiple M&A processes.

If we need to borrow at some points to be able to access either investment or commercial opportunities, we will not hesitate to do so. Instead, we generally seek to build a "financial fortress" that gives certainty to all our partners – customers, suppliers, team members, shareholders. Thus, the management continuously aims to strengthen the financial position, both by carrying out a business that is cashflow-positive in the area of operations, but also by permanently capitalizing profits and carrying out capital-raising operations like equity.

Compared to the results presented in the above charts and the table below, during the 1st quarter of 2021 the Issuer successfully carried out a capital increase operation which brought about the amount of RON 11 million, which is found in the new consolidated situation both as cash and as equity.

It is the 4th capital increase operation with shareholder contributions through the stock exchange mechanisms carried out by the Issuer in the 6 years of activity as listed company. Prior to this operation (at the end of the previous year), the capital was of RON 26.4 million, out of which 13.6 came from previous operations to attract capital and 12.8 million from current activity.

As a result of this operation, the equity has increased to RON 37.2 million.

**CONSOLIDATED SITUATION OF FINANCIAL POSITION**

	31/Dec/20	31/Dec/19	31/Dec/18
Goodwill	21,082,977	17,701,643	12,241,308
Other intangible assets	8,820,959	6,425,725	6,099,112
Tangible assets	5,443,423	6,742,571	2,003,818
Equivalent securities	8,527,500	1,236,738	1,230,328
Other financial assets	7,483	1,107,049	1,056,588
Deferred tax	650,200	910,581	-
<b>Total non-current assets</b>	<b>44,532,542</b>	<b>34,124,307</b>	<b>22,631,153</b>
Inventories	1,157,052	2,567,205	618,060
Trade receivables and other receivables	30,330,712	32,249,740	22,771,507
Financial Assets	1,459,700	-	-
Cash and equivalents	24,872,655	20,824,117	13,047,882
<b>Total current assets</b>	<b>57,820,119</b>	<b>55,641,063</b>	<b>36,437,449</b>
<b>Total assets</b>	<b>102,352,661</b>	<b>89,765,370</b>	<b>59,068,602</b>
Share capital	26,443,139	11,620,321	5,175,524
Issuance premium	25,409,965	0	2,594,889
Other equity items	(19,893,997)	1,118,923	1,038,755
Legal reserve	468,943	352,151	266,124
Carried forward result	(5,932,105)	1,708,978	352,234
Current result	895,127	(4,581,227)	4,371,203
<b>Total capital</b>	<b>27,391,072</b>	<b>10,219,145</b>	<b>13,798,728</b>
Minority interests	255,237	324,703	201,818
<b>Total equity</b>	<b>27,646,309</b>	<b>10,543,849</b>	<b>14,000,546</b>
Bond issues	28,357,324	28,195,593	18,380,362
Bank loans	4,570,517	4,807,687	1,164,199
Leasing liabilities	3,036,719	3,842,943	93,025
Trade liabilities and other liabilities	-	-	-
Deferred income tax liabilities	-	-	28,852
<b>Total long-term liabilities</b>	<b>35,964,560</b>	<b>36,846,223</b>	<b>19,666,438</b>
Bond issues	889,781	889,781	4,164,585
Bank loans	7,583,930	3,560,417	8,017,675
Leasing liabilities	1,401,465	1,325,649	78,555
Dividends payable	0	-	-
Corporate tax liabilities	121,203	226,880	570,928
Trade liabilities and other liabilities	28,745,411	36,372,572	12,569,875
<b>Total short-term liabilities</b>	<b>38,741,791</b>	<b>42,375,298</b>	<b>25,401,618</b>
<b>Total liabilities</b>	<b>74,706,352</b>	<b>79,221,521</b>	<b>45,068,055</b>
<b>Total equity</b>	<b>102,352,661</b>	<b>89,765,370</b>	<b>59,068,602</b>

(all amounts are expressed in RON, unless otherwise specified)

**7.2 Operational Profit**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME:**

	2,020	2,019	2,018
Revenues from contracts with clients	109,191,760	98,011,545	47,891,044
Gross margin	21,466,394	16,734,515	9,527,447
Other income	449,054	657,734	5,968,250
Sales expenses	- 7,508,988	- 7,271,196	-2,485,635
General and administrative expenses	- 10,053,352	- 11,570,570	-6,656,647
Operational Profit (EBIT)	4,355,883	- (1,449,517)	385,165

The financial results for 2020 validate again the group's operational and financial model and the motivation for pursuing a high-growth strategy: due to the fact that we operate with relatively high fixed costs, industry-specific, they represent an important threshold to be exceeded by the gross margin generated during each period. In contrast, once the gross margin exceeds the break-even point established according to the fixed costs, the following revenues generate a significant increase in profitability: the increase of the gross margin by RON 3.7 million can be found almost entirely in the increase of EBIT by RON 3.2 million (the difference being represented by higher sales bonuses).

We consider it important to mention that, in relation to the table presented above, the adjustments regarding the stock options plans are included as operational expenses (General and Administrative Expenses). In 2019 they counted for around RON 1 million and in 2020, for around RON 1.6 million.

Management informed shareholders in several previous reports of their opinion on this adjustment, taking into account the specificities of the SOP settlement for our group. Thus, according to IFRS2, the consolidated profit and loss account contains an adjustment of the 'option market value' (determined using the Black-Scholes model). In other words, the profit and loss account includes as cost (lost revenue) the amount that the Issuer could have received if it had 'written' (sold) the call options that the members of the team, of the board, etc. receive and possibly they execute as part of the stock option plans.

This approach implies that the Issuer trades in derivatives with its own shares as underlying asset and comes into opposition with the key persons (option contracts are zero-amount contracts by definition, i.e. where the parties are in opposition with each other). None of these assumptions is accurate, but on the contrary, the existence of stock options plans allows the Issuer to be in a much privileged position than its competitors, both in terms of the team's 'engagement' and in terms of the alignment of the interests of shareholders with those of the management or employees.

On the one hand, the members of the Board of Directors or the development board (the former 'advisory board'), but also some members of the senior management or the persons in charge of business development – are individuals that no one (not just the Issuer) could "hire" for a fixed amount. We provide a proper example: Dan Stefan, a Member of the Audit and Strategic Development Committee is one of the most successful entrepreneurs in Romania, actively leading Autonom Group. There is no possible amount of money that can be offered to him to "work" for Bittnet. Or this is exactly what IFRS2 seeks to get: the answer to the question "how much would it cost us if we paid in cash".

Furthermore, given that in the case of BNET, all the SOPs settlement operations were carried out as capital increases, we are in a situation where we have recorded in the profit and loss account, as well as in the Issuer's balance sheet, amounts as "capital losses". Thus, in addition to the registration of operations in P&L related to a capital increase, we also record in the consolidated financial statement the equivalent of 'capital losses' (as if the Issuer could make increases to other values, but makes increases at the strike-price value in the option).

(all amounts are expressed in RON, unless otherwise specified)

In view of all the above, the Issuer publishes in its financial statements and in its communication with shareholders the indicator "Operational profit" which cancels the effects of the SOP adjustment (excludes it from the calculation).

Please find below some links to the documents previously submitted to shareholders, both on the appropriateness to carry out Stock Option Plans, the appropriateness to settle them by capital increases and not by redemptions, and the definition of Operational Profit as an "alternative performance indicator" in ESMA's opinion.

1) <https://docs.google.com/document/d/1UfH5lAPx9joOtnp8kxgeWlVNr-FSnMIB1lhuOPXRYec/edit?usp=sharing> (explanatory memorandum SOP 2020-2021)

2) <https://investors.bittnet.ro/en/results-financial/4q-2020/anexa-1/> (alternative performance indicators)

**7.2.1. Information on significant factors, including unusual or rare events, or new developments, that significantly affect the issuer's operating income, indicating the extent to which they are affected.**

During 2020, the revenues of EQG were mainly affected in the first 9 months of the year by the closure of face-to-face softskills training budgets caused by the Covid-19 pandemic. Although the pandemic continues, the Issuer expects that the management measures taken in the case of EQG will have a positive impact on the company's operational revenues post-2020.

**7.2.2. Where historical financial information reveals significant changes in sales or net revenue, a description of the reasons that generated such changes shall be included.**

There have been no significant changes in sales or non-normal income in the activity carried out on the market in which the issuer operates, combined with M&A operations

**7.3 Evaluation of R&D activity. Specifying the expenses in the financial year, as well as those anticipated in the next financial year for the R&D activity**

There is no „R&D" activity within the group companies.

## Section 8: Capital resources

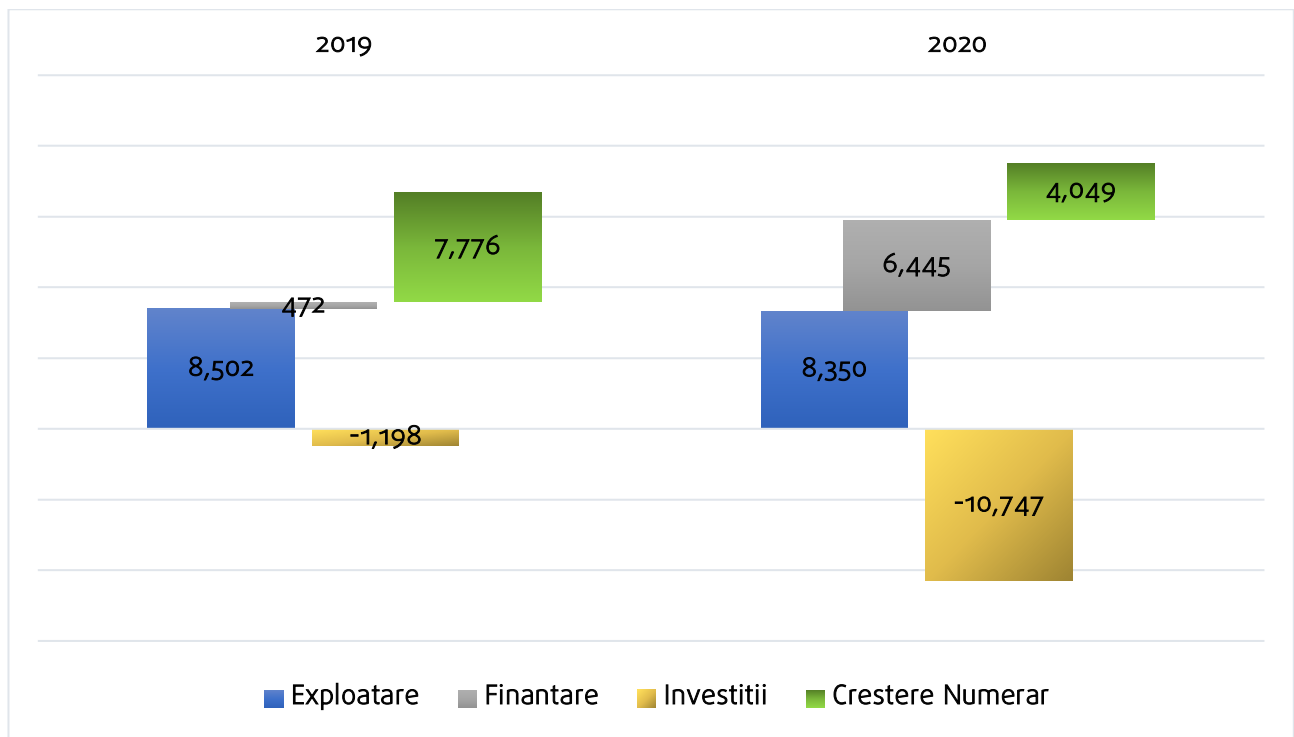
### 8.1 Information on the issuer's capital resources (short and long term).

At the end of 2020, the issuer's equity exceeds RON 26 million. In the first quarter of 2021, the Issuer carried out a capital increase with new capital contributions that increased the equity resources by RON 10.7 million. In line with the trend over the recent years, the Issuer also takes into account future capital increases, both with free shares and by attracting new resources through cash contributions, which is why he chose to submit this Universal Registration Document for approval.

Apart from the capital resources drew in capital increase operations, the issuer has other financing mechanisms in the capital market (bond issues) as well as short and long term bank lending. Upon the preparation of this Universal Registration Document, the company has 4 issues of trading bonds on the BVB SMT-Bonds market (BNET22, BNET23, BNET23A, BNET23C) for a total amount of RON 28,9 million. All capital resources borrowed from bond issues are available with a long-term maturity.

### 8.2 An explanation of the sources and the value of the issuer's cash flows and a description of the cash flows.

As in 2019, the operational activity has generated a positive cash flow amounting to approximately RON 8 million. Along with the capital increase and an increase in the bank financing by about RON 3 million, this allowed us to invest 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 that the CAPEX investment needs for maintenance are specific to the IT sector in which we perform our activity - around 1% of annual turnover

The consolidated statement of cash flows for the end of the financial year is provided in the table below:

	2,020	2,019
<b>Gross profit</b>	<b>1,484,245</b>	<b>(5,138,122)</b>
Adjustments for:		
Depreciation expenses	1,993,939	1,897,637
Benefits to SOP employees	1,574,721	1,001,644
Adjustments for the impairment of receivables	(262,885)	84,551
Interest expenses and other financial costs	3,362,206	3,754,304
Interest expenses and other financial costs - leasing	475,040	427,980
Interest income	(151,350)	(371,828)
Financial investments gain	(1,168,120)	(6,411)
Profit / Loss of equity method holdings	401,783	
<b>Operating profit before working capital change</b>	<b>7,709,580</b>	<b>1,649,755</b>
Variance of the receivables accounts balances	3,224,995	(9,646,903)
Variance of the inventory accounts balances	1,410,184	(1,949,146)
Variance of the debts accounts balances	(3,683,943)	19,052,282
<b>Cash generated from operation</b>	<b>8,660,816</b>	<b>9,105,989</b>
Profit tax paid	(310,496)	(603,701)
<b>Net cash from operating activities</b>	<b>8,350,320</b>	<b>8,502,288</b>
Investments:		
Payments for the acquisition of subsidiaries, +/- cash	(3,527,955)	(709,920)
Payments for participation interest	(4,027,500)	0
Goodwill purchase	(5,450,000)	
Acquisitions of tangible and intangible assets	2,419,335	(893,873)
Other investments in financial instruments	(291,580)	
Interest received	130,897	405,486
<b>Net cash from investment activities</b>	<b>(10,746,803)</b>	<b>(1,198,308)</b>
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)	-
<b>Net cash from financing activity</b>	<b>6,445,020</b>	<b>472,255</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,048,537</b>	<b>7,776,235</b>
Cash and cash equivalents at the beginning of the year	20,824,117	13,047,882
<b>Cash and equivalents at the end of the year</b>	<b>24,872,654</b>	<b>20,824,117</b>

(all amounts are expressed in RON, unless otherwise specified)

### 8.3 Information on the credit terms and funding structure of the issuer.

Upon the preparation of this document, the Bittnet Group operated with the following bank credit products for the financing of working capital and current activity:

- ProCredit Bank - Bittnet: credit agreement transformed from 'overdraft ceiling' amounting to RON 2,790,000. The product has been on the due date since February 2020. Repayments shall be carried out monthly for a period of 36 months. ROBOR3M+2,5% interest per year. Amount to be reimbursed remaining in the balance: RON 1,8 millions
- Procredit Bank – Dendrio: an overdraft credit product amounting to 4,5 milion with an interest rate of ROBOR3M+2,4%and a 24 months maturity.
- Procredit Bank – Dendrio: credit for working capital financing with monthly principal repayments+interest amounting to RON 1,8 million, contracted in May 2018. With variable interest ROBOR3M+2,5%. Maturity at 36 months. Remaining amount to be reimbursed: RON 107 millions
- ProCredit Bank – Dendrio : a loan for the financing of working capital, worth a total of RON 5 million, contracted in December 2020, for a period of 3 years with an interest rate of ROBOR3M+3%.
- ING – Dendrio: the revolving-overdraft financing line of RON 2 million with ING Bank was extended in November 2019. ROBOR1M+2,9% interest per year.
- Banca Transilvania – Dendrio: „global exploitation ceiling” worth MDL 1 million. Dendrio uses this product for issuing bank guarantee letters.

Apart from bank loans, the issuer has borrowed capital from the 4 issues of bonds that can be traded on the AeRO-Bonds market (BNET22, BNET23, BNET23A, BNET23C) for a total amount of RON 28.9 million.

Also, both the Issuer and the Group companies have signed agreements for discounting projects through banking products such as factoring for specific customers. The agreements are contracted from Banca Transilvania, Unicredit Bank and ING Bank.

Bittnet Systems and Dendrio Solutions have also negotiated preferential interest rates for savings accounts in RON and EUR with ProCredit Bank.

### 8.4 Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations.

Not applicable. There are no restrictions on the issuer regarding the use of capital resources

### 8.5 Information regarding the anticipated sources of funds needed to fulfil commitments referred to in item 5.7.2

The revenue and expenditure budget for 2021 provides for a maximum amount of RON 10 million for investments, but such amount will be allocated by the management for investments only if the management considers that the investments in question will not create a cash flow problem for the Issuer. None of the investments already initiated raise financing problems for the Issuer, they are easily borne by the available cash resources. None of the investments already started raise financing problems for the Issuer, as they are easy to bear from the existing cash available.

## Section 9: Regulatory framework: market on which shares and bonds are traded

**9.1 A description of the regulatory framework that the issuer operates in and that may materially affect its business, together with information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations.**

The issuer shall be subject to the Romanian law. The regulatory framework in which the issuer operates shall include national law as well as specific EU law, including but not limited to:

- Companies Law no. 31/1990, republished, as further amended and supplemented;
- Law no. 24/2017 on issuers of financial instruments and market operations;
- ASF Regulation No 5/2018 on issuers of financial instruments and market operations, as subsequently amended and supplemented
- Regulation (EU) 2017/1129;
- Delegated Regulation (EU) 2019/979;
- Delegated Regulation (EU) 2019/980;
- Regulation (EU) NO 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation).

**9.2 Specifying the markets in Romania and other countries on which the securities issued by the company are traded.**

Starting with June 3, 2020, the shares issued by the company are traded on the Bucharest Stock Exchange, on the regulated market, Standard category, BNET symbol, ISIN ROBNETACNOR1 code.

From the point of view of the capital market path, the major event in 2020 is the transition to the Main Market on 3 June, thus marking the beginning of a new stage of development for our group. After the first month of trading, we found a doubling of daily liquidity compared to the AeRO market, but also the emergence of 3 open equity investment funds, along with 3 other investment companies.

The increased liquidity of BNET's shares meant that, only 3 months after BVB's promotion on the Main Market, our group's shares would be included in several indices: BET-XT, BET-XT-TR, BET-BK as well as in the expanded 'basket' of the main BET index - BETPlus. The inclusion was made by the BVB Index Commission as of 21.09.2020. In addition, as of March 2021, according to the announcement made by FTSE Russel on February 22, 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 NBET shares amounted to about 224 thousand lei per trading session, up 25% compared to 2019. The total value of the transactions amounted to 56 million lei for a volume of almost 63 million BNET shares, which represents 27% of the total shares registered on December 31 (and 39% of the freefloat). As at the beginning of the road on the AeRO market, the volume expressed as number of transactions paints an additional picture of investors' liquidity and interest: BNET stock transactions accounted for 3.6% of the total number of transactions on the Regulated Market.

The capitalization of BNET was appreciated by 22% during 2020, and for investors who participated in the capital increase of March-April 2020, the return was 40%. It is the fifth consecutive year in which the investment in BNET acts far exceeds the investment in the market index. On a cumulative level, from 2015 to the present, there is no other investment in BVB that is more profitable than BNET. Investors have at their

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(all amounts are expressed in RON, unless otherwise specified)



disposal an interactive tool to calculate their return on investment. Between different periods , at <https://investors.bittnet.ro/en/calculator-investitie/>

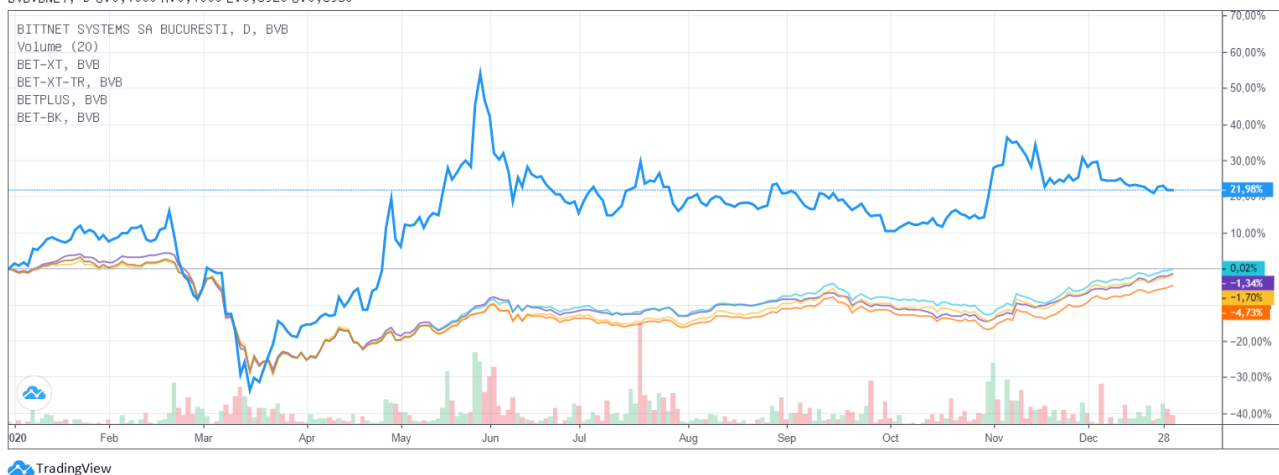
At the end of 2020, the company had over 2,500 shareholders and a stock market capitalization of 159 million lei.

During 2020 we continued to conduct market operations as in previous years, both by capitalizing existing resources and by raising funds through capital increases:

- Capital increase contributions (February - March 2020) - we attracted 9 million lei through capital market mechanisms, representing a full subscription, in full context of crisis on international exchanges. The capital was used for M&A investments and strengthening the financial position of the company. We thank the investors who gave us their trust during that period and we wish them to prosper with us in the long term.
- Capital increase by 7 free shares for every 10 shares held (July 2020).
- Capital increase by 1:10 treasury shares and cash distribution to shareholders who have opted "for" (July – December 2020).

The company also aims in 2021 to capitalize the resources resulting from the share premiums and profits of previous years in future increases with free shares, for **the current year being proposed an increase of 7 free shares for 10 owners, according to the AGEA Summoner.**

Published on TradingView.com, December 31, 2020 13:41:34 EET  
BVB:BNET, D O:0,7000 H:0,7000 L:0,6920 C:0,6960



\*evolution of BNET shares in 2020, compared to the BVB indices of which the component

### ***BNET22, BNET23, BNET23A, BNET23C bond issues in 2020***

And during 2020, Bittnet bonds were among the most traded fixed income instruments on the AeRO-Bonds market, totaling 6.96 million lei exchanges, i.e. 6% of the annual value of transactions in the secondary bond market, and 24.10% of the total value of the 4 bond issues.

The company is up to date with coupon payments to the bondholders. During 2020, coupons were paid for: NBET22, coupon payments were made on 15 March 2020, 15 June 2020, 15 September 2020, 15 December 2020. For BNET23, coupon payments were made on February 15, 2020, May 15, 2020, August 15, 2020 and November 15, 2020. For BNET23A coupons were paid on January 15, 2020 and July 15, 2020; and for BNET23C, on January 23, 2020 and July 23, 2020. All bond issues have fixed interest rates of 9% per year, payable quarterly (BNET22, BNET23) or semi-annually (BNET23A, BNET23C), through the Central Depository.

During 2020, especially in March-April, with the lockdown measures taken by the states and the declines on the world financial market, Bittnet bonds benefited from an increase in liquidity and volatility, reaching some

(all amounts are expressed in RON, unless otherwise specified)

days to be traded below the nominal value of the instrument. Even so, the average trading price for the entire year was over 100% of the nominal value:

- **BNET22:** 9,461 NBET22 bonds changed holders in 2020, i.e. 21.02% of the total volume of the issue in a number of 335 transactions at an average price of 101.99% of the nominal value and a total trading value of 964 thousand lei.
- **BNET23:** 10,188 NBET23 bonds changed holders in 2020, i.e. 21.67% of the total volume of the issue in 483 transactions at an average trading price of 101.73% of the nominal value and a total value of 1.03 million lei.
- **BNET23A:** 11,396 BNET23A bonds changed holders in 2020, i.e. 11.74% of the total volume of issue in 314 transactions at an average price of 103.1% of the nominal value and a total value of transactions of 1.17 million lei.
- **BNET23C:** 37,291 NBET23C bonds changed the holders of 2020, i.e. 37.29% of the total volume of issue in a number of 1,245 transactions at an average price of 101.6% of the nominal value and a total value of exchanges of 3.78 million lei.

### 9.3 Description of the company's dividend policy

The General Meeting of Shareholders adopts the decision on the allocation of profits annually. The Issuer's strategy is not to pay dividends in the following financial year. Bittnet is active in a very dynamic field – Information Technology . So far, Bittnet has managed to achieve significant growth rates, being always profitable both in terms of EBITDA, as well as net profit.

On the other hand, the current size of the company, coupled with the consolidation trend across all industries makes us believe that the only way we can go is 'higher and higher'. That is why we intend to continue to invest any available resources in the development of the company.

From the shareholders' point of view, the 'full profit reinvestment' policy also means a 'no dividend' policy. We intend to propose this reinvestment policy to the Shareholder Meeting as long as the growth prospects of the company generally outweigh the growth prospects of the market. In the long run, the value that the company creates is reflected in the value of the company itself – its stock price. The management considers that we can continue to maintain a growth rate above that of the general market for a significant period of time.

Our current operational capacity is such that we can extract profits from the accelerated growth in turnover. This is the intention of our management: to keep growing the turnover in similar 'gross margin' profitability conditions. Thus, the company will generate more money to cover a generally fixed structure of costs, basically the 'additional gross margin' contributing almost entirely to the company gross profit.

### 9.4 Specifying the dividends due/paid/accumulated in the last 3 years and, if applicable, the reasons for any decrease of dividends during the last 3 years.

According to the dividend policy, in 2016, 2017 and 2020, the General Meeting decided to reward shareholders by capitalizing the company's profits and granting free shares – one operation per year. The management also proposed for the general meeting of April 27, 2021 the same approach, with the distribution of free shares in a ratio of 7:10 with the shares held (7 new shares to 10 held).

### 9.5 Description of any activities of the company for the purchase of its own shares.

At the AGEA in April 2020, the shareholders approved the increase of the share capital by 1 free share for every 10 acts held by the shareholders on the registration date, combined with the shareholders' consent to leave the resulting acts at the disposal of the company, receiving in exchange the nominal value.

Between July 21 and August 3, 2020, the shareholders from the registration date expressed their choice between free action to be granted in the future or in cash on August 3. Following the expression of the options, and after the ratification of the CA decision by the General Meeting of Shareholders in November 2020, in December 2020 the Central Depository loaded into the account of the Issuer a number of 9.2 million shares, to be used by it to fulfill its obligation towards the option holders, in a direct transfer process.

**9.6 If the company has subsidiaries, specify the number and nominal value of the shares issued by the parent company owned by the subsidiaries.**

None of the companies in the group (except the Issuer, according to point 9.5) owns shares or bonds issued by Bittnet.

**9.7 If the company has issued bonds and/or other debt securities, the presentation of the manner in which the company pays its obligations towards the holders of such securities.**

The company is up to date with the payment of coupons to bondholders, for all bond issues, made through the Central Depository system.

## Section 10: Trend information

### 10.1 A description of:

#### (a) the most significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last financial year to the date of the registration document;

During 2020 and thereafter, the Issuer faced the effect of the following socio-economic trends:

1. Increasing competition for human resources („heating the labor market“). This trend continues for several years and it is particularly obvious in the IT industry, in which the Issuer operates. Especially in the IT services industry, anyone can provide services from anywhere to customers in any other part of the world. This makes the Romanian market of IT experts subject to global competition. Thus, there are multinational companies that have offices in Romania, but also freelancing platforms that accept Romanian citizens as members of the platform. Both alternatives provide more options for qualified staff and they can choose on which one they want to provide their services, resulting in an increase in the price for human resources. From an accounting point of view, in the case of the Issuer and the group companies this leads to an increase in the cost of staff and subcontractors. From an operational point of view, this leads to the increase in difficulties in finding and attracting skilled staff, but also the need to pay time, attention and material resources to create a pleasant and attractive job. These are internal management priorities.
2. **Commoditization of IT services.** This trend leads to lower sales prices for the Issuer’s products and services, which in conjunction with the increase in the cost of human resources leads to a pressure on the gross margin (revenues minus direct costs). In addition, it gives customers a preference to pay only what they consume, moving away from subscriptions or major investments in advance.
3. **Gig Economy (“Uberisation”).** The emergence and development of this trend has partly relieved the pressure exerted by the Issuer on fixed costs (in that the personal income of the Issuer's collaborators results from several sources and thus there is no pressure for us) but the need for development of operations on a larger scale has also increased, so we can take advantage of this trend. We consider it essential for us to continue the policy of accelerated growth of the Issuer's size in the following years, in order to ensure access to sufficient human resources.

#### (b) any significant change in the financial performance of the group since the end of the last financial period for which financial information has been published to the date of the registration document, or provide an appropriate negative statement.

Not applicable. No significant changes were found in the financial performance of the group since the end of the last financial year and until the publication of this Document. In addition, the Issuer drew in more than RON 10.7 million in February 2021, during a capital increase operation.

### 10.2 Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer’s prospects for at least the current financial year.

Not applicable.

## Section 11: PROFIT FORECASTS OR ESTIMATES

Where an issuer has published a profit forecast or a profit estimate (which is still outstanding and valid) that forecast or estimate shall be included in the registration document. If a profit forecast or profit estimate has been published and is still outstanding, but no longer valid, then provide a statement to that effect and an explanation of why such forecast or estimate is no longer valid.

Not applicable. The Issuer shall not make forecasts regarding profitability. The Issuer operates annually with a Revenue and Expenditure Budget approved by the General Meeting of Shareholders. BVC for 2021, which is subject to shareholder approval at the general meeting scheduled for April 27, 2021, is as follows:

P&L item (figures in thousands RON)	Training	Integration	Consolidated
Revenues from contracts with clients	19.682	137.373	157.056
Direct expenses	-7.875	-114.584	-122.458
<b>Gross margin</b>	<b>12.793</b>	<b>30.939</b>	<b>43.733</b>
Indirect expenses	-8.071	-19.263	-27.334
Human Resources	-5.477	-15.426	-20.902
Administrative costs	-2.595	-3.838	-6.432
<b>EBITDA</b>	<b>4.723</b>	<b>11.677</b>	<b>16.400</b>
Depreciation & amortization	-679	-462	-1.140
<b>Operational Profit (EBIT)</b>	<b>4.045</b>	<b>11.216</b>	<b>15.261</b>
Financial Result			-897
SOP adjustment (IFRS)			-1.640
<b>Gross profit</b>			<b>12.724</b>

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:

- Bittnet Training continues organic growth, without acquisitions and without synergies with eLearning Company, at the historical growth rate;
- 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.);
- Equatorial returns to 2019 revenues, without growth, without recording revenues from games;
- 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;
- Cost of Sales (COGS) - Direct Expenses - grows at a rate 10% faster than sales;
- The gross margin therefore increases by only 1.5x compared to sales, although historically this multiplier is 3-6x;
- We significantly expand the teams (15% headcount, 12% hourly price) without generating additional sales compared to what is provided according to points 1-4;
- Administrative expenses increase by 10%, versus the historical downward trend;
- Softbinator and The eLearning Company manage only 80% of the assumed profitability for 2021;
- 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.

(all amounts are expressed in RON, unless otherwise specified)

## Section 12: Administrative, Management and Supervisory Bodies and Senior Management

**12.1 Names, business addresses and functions within the issuer of the following persons and an indication of the principal activities performed by them outside of that issuer where these are significant with respect to that issuer.**

According to Article 91 ^ 2, letter (b) manager shall mean "any Member of the Board of Directors, as well as any director, in the case of the unitary management system, that is any Member of the Supervisory Board and of the Management, in the case of the dual management system, as required by Law No 31/1990, republished, as further amended and supplemented, including in all cases where he has been appointed, the CEO and, if there is such a position, the deputy CEO."

Therefore, the Issuer determined that the following roles and persons comply with the law provisions:

- Members of the Board of Directors, including the Chairman
- CEO
- CFO

These persons are listed below:

### **Board of Directors of the Issuer**

The administration of the issuer shall be carried out by a Board of Directors made up of 3 members, chosen by the General Assembly of shareholders dated 29.01.2020:

- Ivylon Management SRL duly represented by LOGOFATU MIHAI ALEXANDRU CONSTANTIN
- ANGHEL LUCIAN CLAUDIU
- LOGOFATU CRISTIAN ION

### **Directors**

The executive management of the Issuer is delegated to the directors, according to the articles of incorporation and the CA decision, as follows:

- LOGOFATU Mihai - General Manager
- STANESCU Adrian - Financial Manager

**Chairman of the Board of Directors and CEO**

By Decision no. 1 dated 12.02.2020, the Board of Directors of the President of CA , namely Ivylon Management SRL (Romanian legal entity having its registered office in Bucharest, Drumul Sarii nr. 45, cam. 1 of the Board of Directors, Ivylon Management SRL (Romanian legal entity having its registered office in Bucharest, Drumul Sarii nr. 45, cam. 1, sector 6, registered with the Trade Register Office attached to the Bucharest Tribunal with registration no. J40/7852/2019, tax registration code 41260660), a company with the object of activity "business management and consulting". The company was elected by the shareholders as a member of the Board of Directors taking into consideration the CV of Mr.LOGOFATU MIHAI-ALEXANDRU-CONSTANTIN – Romanian citizen.

The address at the place of work of the CA President is the correspondence address of the Issuer, 26 Timisoara Boulevard, "Plaza Romania Offices" Building, 1st floor, sector 6, Bucharest, postal code 061331. Mr Logofatu Mihai is the cofounder of the Issuer and holds 13,3582 % from the shares issued by the Issuer. At the same time, Mr. Moreover, Mr. Mihai Alexandru Constantin LOGOFATU CEO

The Issuer declares that: The Issuer states that Mr. LOGOFATU MIHAI-ALEXANDRU-CONSTANTIN, who acts as Chairman of the Board of Directors and CEO:

- i. has not been a member of an administrative, management or supervisory body or a General Partner, at any moment in the last 5 years, within another company;
- ii. has not been convicted for fraud during the least the last five years;
- iii. has not been involved, during the last five years, in issues related to any bankruptcy, seizure or liquidation procedure; and
- iv. has not been incriminated and/or sanctioned by the statutory or regulatory authorities. Moreover, he has not been restricted by a court to act as a member of an issuer's administration, management or supervisory body or from intervening in the management or conduct of an issuer's business during the last five years.
- v. The CEO shall not carry out activities for other entities than the Issuer that would have a significant impact on the Issuer.

The Chairman of the Board of Directors performs his activity based on a contract of mandate according to the Decision of 29.01.2020 of the General Meeting of Shareholders.

Education:

- 2012 PhD in Management– the University of Craiova
- 2009 Master degree in Computer Science – University of Bucharest
- 2007 Bachelor degree in Management – Academy of Economic Studies – Bucharest

**Professional experience:**

- 2007 – Present: Bittnet Systems, CEO, Founder
- 2003 – Present: Credis Academy Bucharest, Manager
- 2001 – 2003 Cisco Academy of the University of Bucharest, Instructor

**Vice President and independent member of the Board of Directors**

The vice-president of CA was elected Mr. ANGHEL LUCIAN CLAUDIU - Romanian citizen.

The address at the place of work of the CA Vice President is the correspondence address of the Issuer, 26 Timisoara Boulevard, "Plaza Romania Offices" Building, 1st floor, sector 6, Bucharest, postal code 061331. Mr. Anghel holds 0.8251% from the shares of the issuer and 8.2443% of the bond of BNET23A.

The Issuer declares that: The Issuer states that Mr. ANGHEL LUCIAN CLAUDIU who acts as Vice President of the Board of Directors:

- i. has not been convicted for fraud during the least the last five years;
- ii. has not been involved, during the last five years, in issues related to any bankruptcy, seizure or liquidation procedure; and
- iii. has not been incriminated and/or sanctioned by the statutory or regulatory authorities. Moreover, he has not been restricted by a court to act as a member of an issuer's administration, management or supervisory body or from intervening in the management or conduct of an issuer's business during the last five years.
- iv. Mr. Anghel was Chairman of the Board of Directors of the Bucharest Stock Exchange from January 2012 to January 2020.

As of February 2020, Mr. Anghel also fulfills the position of General Manager at Banca Romaneasca SA. Mr. Anghel shall not carry out activities that would have a significant impact on the Issuer

**Education:**

- 2006 , HEC Montreal : Business Administration and Management, General
- 2003, Georgetown University: Postgraduates Program, Field Of Study Bank Risk Management
- 2003, Bucharest Academy of Economic Studies: Doctor of Philosophy – PhD, Manager Economics
- 1997, Bucharest Academy of Economic Studies: Master's degree, Information Technology
- 1996, Bucharest Academy of Economic Studies: Bachelors Degree Information Sciences and Support Services

**Professional experience:**

- 2012 – 2020 : President of Bucharest Stock Exchange
- 2015 – 2019: Acting CEO, BCR Housing Bank
- 2012 – Present: University Professor at the Faculty of Management, ASE Bucharest
- 2012 – 2015 : Acting CEO, BCR Pensions
- 1996 – 2012: BCR, various positions, including Chief Economist

The Vice President of the Board of Directors performs his activity based on a contract of mandate according to the Decision of 29.01.2020 of the General Meeting of Shareholders.



**Non-executive member of the Board of Directors**

The non-executive CA member of the Issuer is LOGOFATU CRISTIAN ION, Romanian citizen.

The address at the workplace of Mr. Logofatu Cristian is the correspondence address of the Issuer, 26 Timisoara Boulevard, "Plaza Romania Offices" Building, 1st floor, sector 6, Bucharest, postal code 061331. Mr Logofatu Cristian is the cofounder of the Issuer and holds 12,9677% from the shares issued by the Issuer.

The Issuer declares that: The Issuer states that Mr. LOGOFATU CRISTIAN ION who acts as member of the Board of Directors:

- i. In the last 5 completed financial years, Cristian has not been a member of the Board of Directors or supervision of other companies. Starting with 2019 and until 31.03.2020, Cristian Ion Logofatu held the position of member of the Board of Directors of Norofert Group. Cristian also fulfills the position of CEO of the "Academia Credis" NGO.
- ii. has not been convicted for fraud during the least the last five years;
- iii. has not been involved, during the last five years, in issues related to any bankruptcy, seizure or liquidation procedure; and
- iv. has not been incriminated and/or sanctioned by the statutory or regulatory authorities. Moreover, he has not been restricted by a court to act as a member of an issuer's administration, management or supervisory body or from intervening in the management or conduct of an issuer's business during the last five years.

Mr. Cristian Ion Logofatu shall not carry out activities that would have a significant impact on the Issuer.

**Education:**

- 2006 Master degree in Computer Networks – University of Bucharest
- 2003 Bachelor degree in Finances– Bucharest Academy of Economic Studies

**Professional experience:**

- 2007 – Present: Bittnet Systems, CFO, Founder
- 2003 – 2007: University of Bucharest – ID Department, Economist
- 1999 – 2002: University of Bucharest – ID Department, WebDesigner

Mr. Logofatu Cristian performs his activity based on a contract of mandate according to the Decision of 29.01.2020 of the General Meeting of Shareholders.. Mr. Logofatu Cristian Ion and Mr. Logofatu Mihai Alexandru Constantin are the founders of the company and are brothers.

**CFO**

The CFO of the Issuer is Mr. Stanescu Adrian, a Romanian citizen.

The address at the workplace of Mr. Stanescu Adrian is the correspondence address of the Issuer, 26 Timisoara Boulevard, "Plaza Romania Offices" Building, 1st floor, sector 6, Bucharest, postal code 061331.

Mr. Stanescu holds xxx% from the shares issued by the Issuer.

The Issuer declares that: The Issuer states that Mr. STANESCU VICTOR, who acts as CFO:

- i. In the last 5 completed financial years, Adrian has not been a member of the Board of Directors or supervision of other companies. Nectcity Telecom S.A., Certsign S.A., UTI Grup S.A.
- ii. has not been convicted for fraud during the least the last five years;
- iii. has not been involved, during the last five years, in issues related to any bankruptcy, seizure or liquidation procedure; and
- iv. has not been incriminated and/or sanctioned by the statutory or regulatory authorities. Moreover, he has not been restricted by a court to act as a member of an issuer's administration, management or supervisory body or from intervening in the management or conduct of an issuer's business during the last five years.

Mr. Stanescu shall not carry out activities that would have a significant impact on the Issuer.

**Education:**

- 2013 - Chartered Financial Analyst, CFA Level III
- 2008 – Bachelor's Degree, Faculty of Electronics, Telecommunications and Information Technology ('ETTI'), Polytechnic University, Bucharest
- 2008 – Bachelor's Degree, Faculty of Finance, Insurance, Banking and Stock Exchanges ("FABBV"), Academy of Economic Studies ("SIX"), Bucharest

**Professional experience:**

- 2014 – 2018: Economic Manager/ CFO, UTI Grup S.A.
- 2012 – 2014: Deputy Economic Manager, UTI Grup S.A.
- 2014 – Deputy Economic Manager Treasury & Finance, UTI Grup SA
- 2013 – Treasury Manager, UTI Grup SA
- 2012 – Client Relations Manager, BCR, Group Large Corporates' Directorate

Mr. Stanescu Adrian performs his activity based on a contract of mandate according to the Decision of the BoD.

**12.2 Administrative, management and supervisory bodies and senior management conflicts of interests**

Not applicable. There is no conflict of interests of any of the persons referred to in point 12.1 between the obligations to the Issuer and its private interests and other obligations. There is no information about any arrangement or agreement with the principal shareholders, customers, providers or other persons according to which any of the persons referred to in point 12.1 has been chosen as a member of an administrative, management or supervisory body or Member of senior management. There is no restriction accepted by the persons referred to in paragraph 12.1 on the transfer, within a certain period of time, of the issuer's securities held by them.

Mr. Logofatu Cristian Ion and Mr. Logofatu Mihai Alexandru Constantin, the founders of the company and members of the Board of Directors, are brothers.

**12.3 Statement on disputes concerning the leaders**

None of the persons mentioned in section 12 has been involved in litigation or administrative procedures in the last 5 years, litigation related to their activity within the Issuer, as well as those related to the respective person's ability to perform their duties within the Issuer.

## Section 13: Remuneration and benefits

**The amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to such persons by the issuer and its subsidiaries for services in all capacities to the issuer and its subsidiaries by any person. That information must be provided on an individual basis unless individual disclosure is not required in the issuer's home country and is not otherwise publicly disclosed by the issuer.**

General Meeting of Shareholders of 29 January 2020 approved the remuneration of the members of the Board of Directors as follows:

For the previous fiscal year – 2020 – Ivylon Management SRL received a fixed monthly remuneration equal to RON 25,000, starting with March 2020. The representative of Ivylon – Mr. Logofatu Mihai Alexandru was included in the stock options plan approved in January 2020, receiving the right to purchase at a preferential price a number of shares equal to 0.75 % of the total shares of the Issuer per each year in which he holds the position of Chairman of the Board of Directors. Prior to March 2020, in January and February 2020, Mr. Logofatu Mihai was remunerated with the average gross wage per economy. There are no other benefits.

For the previous fiscal year – 2020 -Mr. Logofatu Mihai Alexandru received a fixed monthly gross remuneration of RON 5 000 as of March 2020 and he was included in the stock options plan approved in January 2020, receiving the right to purchase at a preferential price a number of shares equal to 0.5% of the total shares of the Issuer per each year in which he act as a member of the Board of Directors. Prior to March 2020, in January and February 2020, Mr. Logofatu Cristian was remunerated with the average gross wage per economy. There are no other benefits.

In 2019, Mr. Anghel Lucian Claudiu received a fixed monthly gross remuneration of RON 5 000 as of March 2020 and he was included in the stock options plan approved in January 2020, receiving the right to purchase at a preferential price a number of shares equal to 0.5% of the total shares of the Issuer per each year in which he is a member of the Board of Directors. Prior to March 2020, in January and February 2020, Mr. Anghel Lucian has received no remuneration. There are no other benefits.

### CFO

For the previous fiscal year, Mr. Adrian Stanescu received a net monthly remuneration of RON 10,000. Starting with March 2020, the starting date of the term of office of the Financial Director. The representative of Ivylon – Mr. Logofatu Mihai Alexandru was included in the stock options plan approved in January 2020, receiving the right to purchase at a preferential price a number of shares equal to 0.5% of the total shares of the Issuer per each year in which he holds the position of Chairman of the Board of Directors. This option has the exercise price per share according to the capitalization of the company at the beginning of the fiscal year 2020, and has an exercise period of 30 days in May – June 2022. In addition, Mr. Stanescu received for 2020 a performance bonus fixed by the General Manager at the value of 120,000 lei, payable in BNET shares.

### CEO

Taking into account the fact that Mr. Mihai Logofatu, founder of the company, also serves as General Manager and Chairman of the Board of Directors, Mr. Logofatu gave up in 2020 any remuneration related to the position of General Manager. The benefit received as General Manager is access to an operational leased car - toyota camry - worth 499 euros per month.

## Section 14: Board practices

**In relation to the issuer's last completed financial year, and unless otherwise specified, with respect to those persons referred to in point (a) of the first subparagraph of item 12.1.**

**14.1 Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office.**

On 29 January 2020, the General Meeting of Shareholders approved the amendment of the articles of incorporation of the company in terms of its administration by a Board of Directors composed of 3 members. According to the decision of the General Meeting of Shareholders of 29.01.2020, the members of the management board shall be elected for a period of 4 years from the date of appointment, i.e. up to 13.02.2024.

The Financial Director was appointed by the Board of Directors and operates under a 4-year mandate contract, until March 16, 2024.

**14.2 Information about members of the administrative, management or supervisory bodies' service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate statement to the effect that no such benefits exist.**

The managers perform their duties according to the contracts on the terms of reference approved by the General Meeting of Shareholders in January 2020. The contracts on the terms of reference shall provide for a compensatory payment equal to the annual remuneration for the year in question plus one hundred thousand euros if the contract is concluded for reasons beyond the administrator's control.

There are no clauses regarding the granting of benefits upon the expiration of the contract in the case of the Financial Manager.

**14.3 Information about the issuer's audit committee and remuneration committee, including the names of committee members and a summary of the terms of reference under which the committee operates.**

The Audit Committee is operational and is composed of:

- Lucian Anghel
- Cristian Logofatu
- Dan Stefan

The Audit Committee's terms of reference shall be to provide support to the Board of Directors of the company BITTNET SYSTEMS S.A. for the efficient supervision of the aspects related to the risk management system and internal control within the Company. Therefore, the main responsibilities of the Audit Committee consist of making recommendations to the Board regarding:

- Financial reporting: The Committee shall examine and check the accuracy of the annual and interim consolidated financial statements of the Company and any other financial reports before they are submitted to the Board for approval
- Financial audit: The Committee shall examine and draft recommendations to the Board on the appointment, re-appointment and dismissal of financial auditors, to be approved by shareholders, periodically assess the efficiency, independence and objectivity of financial auditors;
- Internal audit and internal control: The Committee shall endorse the organization and operation of the Internal Audit Department, it shall review the Internal Auditor's report as well as its recommendations' implementation status, and it shall submit recommendations to the Board on the appointment or dismissal of the Internal Auditor.

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(all amounts are expressed in RON, unless otherwise specified)

- Compliance, conduct and conflicts of interest: The Committee shall ensure that the policies and practices of the Company comply with local and international laws and regulations, the recommendations of the regulatory bodies and the best practices, and it shall examine the implementation of the conflict of interests policy.
- Risk management: The Committee shall inform the Board of the main risks taken by the company, monitor these risks and ensure that they are effectively managed.

The Nomination and Remuneration Committee consists of the following persons:

<b>mr Cristian Logofatu</b>	Chairman of the Nomination and Remuneration Committee Member of Board of Directors
<b>mr Mihai Logofatu</b>	Member of the Nomination and Remuneration Committee Chairman of the Board of Directors, as representative
<b>mr Lucian Anghel</b>	Member of the Nomination and Remuneration Committee, Vice-President of the Board of Directors
<b>mr Sergiu Negut</b>	Member of the Nomination and Remuneration Committee External member
<b>mr Andrei Pitis</b>	Member of the Nomination and Remuneration Committee External member

The Remuneration Committee's terms of reference shall consist of providing support to the Board of Directors of BITTNET SYSTEMS S.A. for the implementation of the remuneration policy of the management structure. In this respect, the Committee:

- shall develop the remuneration policy of the management structure, taking into consideration the long-term interests of shareholders, strategy, business plan and performance of the Company, best practices in the field, a balanced mix of incentives to attract and retain the staff that the Company needs for its operations;
- shall submit proposals to the Board and, through the Board, to the General Meeting of Shareholders, as appropriate, on the programs for share granting and/or share purchase options;
- shall review the annual remuneration report, which sets out how the remuneration policy for members of the management structure has been implemented during the annual period under review.

**14.4 A statement as to whether or not the issuer complies with the corporate governance regime(s) applicable to the issuer. In the event that the issuer does not comply with such a regime, a statement to that effect must be included together with an explanation regarding why the issuer does not comply with such regime.**

Code provisions	Respect	Does not comply or partially complies	Reason for non-compliance
A.1 All companies shall have an internal Council regulation that includes the terms of reference/ responsibilities of the Council and key management functions of the company, and that applies, inter alia, the General Principles in Section A.	YES		
A.2 Provisions for the management of conflicts of interest should be included in the Council Regulation. In any event, the members of the Council shall notify the Council of any conflicts of interest which have arisen or may arise and shall refrain from taking part in the discussions (including by failure to appear, unless failure to appear would prevent the formation of a quorum) and from voting to take a decision on the matter giving rise to the conflict of interest in question.	YES		
A.3 The Management Board or the Supervisory Board shall consist of at least five members.		PARTIALLY	The Articles of Incorporation stipulate the composition of the Board of Directors as 3.5 or 7 members, with the possibility for shareholders to decide the exact number of members. The General Meeting of Shareholders of January 2020 decided to set up a Board of Directors consisting of 3 members, taking into account the small size of the Company, the limitation of costs, but also the alignment of the interests of the shareholders with those of the senior management/management, given the situation of the shares of the members of the Board of Directors, namely Mr. Engaged Mihai and Engaged Cristian, who are the founders of the company and the majority shareholders of the Company.

(all amounts are expressed in RON, unless otherwise specified)

Code provisions	Respect	Does not comply or partially complies	Reason for non-compliance
A.4 The majority of the members of the Board of Directors shall have no executive function. At least one member of the Board of Directors or Supervisory Board must be independent in the case of Standard Category companies. In the case of Premium Category companies, no less than two non-executive members of the Board of Directors or Supervisory Board shall be independent. Each independent member of the Administrative Board or Supervisory Board, as the case may be, shall submit a statement at the time of his nomination for election or re-election, as well as when any change in his or her status occurs, indicating the elements on the basis of which he or she is deemed to be independent in terms of his or her character and judgement and in accordance with the following criteria of the Code.	YES		
A.5 Other relatively permanent professional commitments and obligations of a member of the Board, including executive and non-executive positions in the Board of Corporations and non-profit institutions, must be disclosed to shareholders and potential investors before nomination and during its term of office.	YES		
A.6 Any member of the Council shall submit to the Council information on any relationship with a shareholder who directly or indirectly holds shares representing more than 5% of all voting rights. This obligation shall relate to any kind of report which may affect the member's position on matters decided by the Council.	YES		
A.7 The Company shall appoint a Secretary of the Council responsible for supporting the work of the Council.	YES		
A.8 The Corporate Governance Statement will inform whether a Council assessment has taken place under the leadership of the Chairperson or nomination committee and, if so, summarise the key measures and changes resulting therefrom. The Company shall have a policy/guidance on the Council's assessment covering the purpose, criteria and frequency of the assessment process.	YES		
A.9 The corporate governance statement shall contain information on the number of meetings of the Council and committees during the last year, the participation of directors (in person and in absentia) and a report of the Council and committees on their activities.	YES		
A.10 The corporate governance statement shall contain information on the exact number of independent members of the Board of Directors or Supervisory Board.	YES		

(all amounts are expressed in RON, unless otherwise specified)



Code provisions	Respect	Does not comply or partially complies	Reason for non-compliance
A.11 The Premium Companies Council should set up a nomination committee of non-executive members, which will conduct the nomination procedure for new members of the Council and make recommendations to the Council. The majority of the nomination committee members shall be independent.	YES		The Nomination and Remuneration Committee was established and functions within the Board of Directors, although the Company does not have this obligation and is not included in the Premium category.
B.1 The Council shall establish an audit committee in which at least one member shall be an independent non-executive administrator. The majority of members, including the Chair, shall have proven to have adequate qualifications relevant to the functions and responsibilities of the Committee. At least one member of the audit committee shall have proven and appropriate audit or accounting experience. In the case of Premium Category companies, the audit committee shall consist of at least three members and the majority of the members of the audit committee shall be independent.	YES		
B.2 The chairperson of the audit committee shall be an independent non-executive member.	YES		
B.3 Within the framework of its responsibilities, the audit committee shall carry out an annual evaluation of the internal control system.	YES		
B.4 The assessment shall take into account the effectiveness and scope of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Council's audit committee, the timeliness and effectiveness with which the executive management addresses weaknesses or weaknesses identified as a result of internal control and the submission of relevant reports to the Council.	YES		
B.5 The audit committee shall assess conflicts of interest in relation to the transactions of the company and its subsidiaries with related parties.	YES		
B.6 The audit committee shall assess the effectiveness of the internal control system and the risk management system.	YES		
B.7 The Audit Committee should monitor the application of generally accepted legal and internal audit standards. The audit committee shall receive and evaluate the reports of the internal audit team.	YES		
B.8 Whenever the Code mentions reports or analyses initiated by the Audit Committee, these should be followed by periodic (at least annually) or ad hoc reports to be submitted to the Council thereafter.	YES		

(all amounts are expressed in RON, unless otherwise specified)

Code provisions	Respect	Does not comply or partially complies	Reason for non-compliance
B.9 No shareholder may be granted preferential treatment over other shareholders in connection with transactions and agreements entered into by the company with shareholders and their affiliates.	YES		
B.10 The Council must adopt a policy to ensure that any transaction of the Company with any of its closely related companies whose value is equal to or greater than 5% of the net assets of the Company (according to the latest financial report) is approved by the Council following a binding opinion of the Council's audit committee and correctly disclosed to shareholders and potential investors to the extent that such transactions fall within the category of events subject to reporting requirements.	YES		
B.11 Internal audits must be carried out by a structurally separate division (internal audit department) within the company or by hiring an independent third party entity.		NO	The implementation of an internal self-standing audit function is in the process of completion
B.12 In order to ensure the fulfilment of the main functions of the Internal Audit Department, it shall report functionally to the Council through the Audit Committee. For administrative purposes and within the framework of management's obligations to monitor and reduce risks, it shall report directly to the Director-General.		NO	The implementation of an internal self-standing audit function is in the process of completion
C.1 The Company shall publish on its website the remuneration policy and include in its annual report a statement on the implementation of the remuneration policy during the annual period under review. [...] The remuneration report shall present the implementation of the remuneration policy for the persons identified in the remuneration policy during the annual period under review. Any material change in the remuneration policy must be published on the company's website in a timely manner.	YES		
D.1 The <sup>3</sup> Company must organize an Investor Relations service - indicating to the general public the responsible person (s) or organizational unit. In addition to the information required by law, the Company shall include on its website a section dedicated to Investor Relations, in Romanian and English, with all relevant information of interest to investors, including:	YES		

<sup>3</sup> Compliance with D.1. means that the company complies with all its subparagraphs (D.1.1, D.1.2, etc.).

Code provisions	Respect	Does not comply or partially complies	Reason for non-compliance
D.1.1 Main corporate regulations: articles of association, procedures on general meetings of shareholders;	YES		
D.1.2 Professional CVs of the members of the company's management bodies, other professional commitments of the members of the Board, including executive and non-executive positions on boards of directors of companies or non-profit institutions;	YES		
D.1.3 Current reports and periodic reports (quarterly, half-yearly and annual) – at least those referred to in D.8 – including current reports with detailed information on non-compliance with this Code;	YES		
D.1.4 Information relating to general meetings of shareholders: agenda and information materials; procedure for electing members of the Council; arguments supporting candidates' proposals for election to the Council, together with their professional CVs; shareholders' questions on agenda items and company replies, including resolutions adopted;	YES		
D.1.5 Information on corporate events, such as the payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of a shareholder's rights, including deadlines and principles applied to such transactions. That information will be published within a period allowing investors to take investment decisions;	YES		
D.1.6 Name and contact details of a person who will be able to provide relevant information upon request;	YES		
D.1.7 Company presentations (e.g. investor presentations, quarterly results presentations, etc.), financial statements (quarterly, half-yearly, annual), audit reports and annual reports.	YES		
D.2 The Company shall have a policy on the annual distribution of dividends or other benefits to shareholders, proposed by the General Manager or the Directorate and adopted by the Board, in the form of a set of guidelines that the Company intends to follow with respect to the distribution of net profit. Principles of the annual policy of distribution to shareholders will be published on the Company's website.	YES		

(all amounts are expressed in RON, unless otherwise specified)

Code provisions	Respect	Does not comply or partially complies	Reason for non-compliance
D.3 The Company shall adopt a policy in relation to forecasts, whether they are made public or not. The forecasts refer to quantified conclusions of studies aimed at determining the overall impact of a number of factors on a future period (so-called assumptions): by its nature, this projection has a high level uncertainty, with actual results likely to differ significantly from the forecasts originally presented. The policy on forecasts will determine the frequency, the period envisaged and the content of the forecasts. If published, forecasts may only be included in the annual, half-yearly or quarterly reports. The Forecast Policy will be published on the Company's website.	YES		
D.4 The rules of general meetings of shareholders shall not restrict the participation of shareholders in general meetings and the exercise of their rights. The amendments to the rules will enter into force at the earliest, starting with the next shareholders' meeting.	YES		
D.5 External auditors will be present at the general meeting of shareholders when their reports are presented at these meetings.	YES		
D.6 The Council will present to the annual general meeting of shareholders a brief assessment of the internal control and management systems of significant risks, as well as opinions on issues subject to the decision of the general meeting.		PARTIALLY	The Company shall provide its shareholders with supporting notes for the items included in the agenda of the general meetings. An overall assessment of the internal control and significant risk management systems will be made available after formalizing the entire control system at the level of the Company.
D.7 Any specialist, consultant, expert or financial analyst may attend the shareholders' meeting upon prior invitation from the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the President of the Council decides otherwise.	YES		
D.8 Quarterly and half-yearly financial statements shall include information in both Romanian and English on key factors influencing changes in sales, operating profit, net profit and other relevant financial indicators, both quarterly and year-on-year.	YES		
D.9 A company shall hold at least two meetings/teleconferences with analysts and investors each year. The information presented on these occasions will be published in the Investor Relations section of the Company's website at the time of meetings/ teleconferences.	YES		

(all amounts are expressed in RON, unless otherwise specified)

Code provisions	Respect	Does not comply or partially complies	Reason for non-compliance
D.10 If a society supports different forms of artistic and cultural expression, sports, educational or scientific activities and considers that their impact on the innovativeness and competitiveness of society is part of its mission and development strategy, it will publish its policy on its activity in this field.	N/A		

**A.8 The Corporate Governance Statement will inform whether a Council assessment has taken place under the leadership of the Chairperson or nomination committee and, if so, summarise the key measures and changes resulting therefrom. The Company shall have a policy/guidance on the Council's assessment covering the purpose, criteria and frequency of the assessment process.**

For the activity carried out in 2020, under the leadership of the President, the evaluation process of the Board of Directors was carried out, based on the Guide for assessing the performance and efficiency of the Board of Directors adopted by the Company; following the self-assessment, the Board established the following key areas of interest to be addressed in the following period:

1. Standardization of Group Corporate Governance
2. Remuneration and alignment at Group level
3. Transparency and digitisation of corporate governance

**A.9 The corporate governance statement shall contain information on the number of meetings of the Council and committees during the last year, the participation of directors (in person and in absentia) and a report of the Council and committees on their activities.**

#### Corporate governance

In 2020, the shareholders of Bittnet System met in 6 general meetings:

Extraordinary General Meeting of Shareholders dated 29.01.2020, for the approval of the new Articles of Incorporation of the Company, the approval of an incentive plan for key persons, by offering options for the acquisition of a number of shares of the Company at preferential price (Stock Option Plan/ SOP), the approval of the admission to trading of the shares of the Company on the regulated market managed by Bucharest Stock Exchange S.A. and the empowerment of the Board of Directors to undertake all the necessary shares and formalities for this purpose, the authorization of the Board of Directors of the Company to decide within a period of 5 years to increase the subscribed share capital:

Ordinary General Meeting of Shareholders dated 29.01.2020, for the termination of the sole director's mandate of the Company, the formation of the Board of Directors of the Company from a number of 3 members, the election of a number of 3 members of the Board of Directors, of which at least one member shall be independent director, for a term of 4 years, the approval of the remuneration of the members of the Board of Directors valid for the entire duration of the mandates, the approval of the framework management contract for the members of the Board of Directors;

Ordinary General Meeting of Shareholders dated 29.04.2020, for the approval of the financial statements for 2019 and the distribution of profit, revenue and expenditure budget for the financial year 2020;

Extraordinary General Meeting of Shareholders of 29.04.2020, for the increase of the share capital by granting 7 free shares for each 10 shares held; increase of the share capital by granting one free share for each 10 shares held, the shares thus acquired being left at the disposal of the company, for a period of 12 months from the acquisition date, in order to comply with the stock option approved plans; increase of the share capital by making new contributions from the shareholders; approval of an incentive plan for key persons, by offering options for the acquisition of a number of shares; amendment of the Articles of Incorporation regarding the authorized share capital

Ordinary General Meeting of Shareholders dated 26.11.2020, for the election of the financial auditor BDO AUDIT SRL;

Extraordinary General Meeting of Shareholders dated 26.11.2020, for the ratification of the procedure for the implementation of the AGEA Decision no. 3 dated 29 April 2020, the acquisition of participations: 60.3665% of

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(all amounts are expressed in RON, unless otherwise specified)

the share capital of EQUATORIAL GAMING S.A., 25% of the share capital of SOFTBINATOR TECHNOLOGIES S.A., 23% of the share capital of THE COMPANY E-LEARNING COMPANY SRL, approval of the investment for the acquisition of a minimum 20% and maximum 51% stake in the share capital of ITPREPARED SRL, with the mandate of the Board of Directors of the Company to establish the payment method and the procedure for implementing the AGA decision, ratification of the investment made by the Company in the share capital of SAFETECH INNOVATIONS SA, capitalization of the company DENDRIO SOLUTIONS SRL, the mandate of the General Manager of the Company to undertake the necessary actions to expand the office space, approval to carry out some redemption programs of the bonds issued by the Company, present and future, in compliance with the applicable legal provisions, amendment of the Articles of Incorporation of the Company regarding the introduction provisions on preferential shares and authorized capital, increase of share capital through the issuance of new preferential shares

The documents of the Bittnet General Meetings of Shareholders are available on our website <https://investors.bittnet.ro/en/intalniri-ale-ale-actionarilor/>

The Articles of Incorporation of the Company were amended during 2020, its current form being available on the Company's website at

<https://investors.bittnet.ro/ro/despre-bittnet/corporate-regulations-policies/>

#### **“Board of Directors”**

The Council's activity framework is regulated by the Regulation of the Board of Directors of Bittnet System, a document that can be consulted on the Company's website at:

<https://investors.bittnet.ro/ro/despre-bittnet/corporate-regulations-policies/>

During 2020, Bittnet's Board of Directors met in 13 meetings, 11 of which were organized by remote means of communication, considering measures to prevent and combat the effects of the COVID-19 pandemic. Members' participation in Council meetings was unanimous.

The Council discussed the following topics:

- Election of the President and Vice-President of the Board of Directors, as well as approval of the Regulation of the Board of Directors
- Appointment of the General Manager, the Financial Manager and approval of the contracts with them
- Establishment of the Company's Advisory Committees: Audit Committee, Nomination and Remuneration Committee, Strategic Development Committee, as well as the approval of their Organization and Functioning Regulations
- Procedure for organizing and conducting general meetings of shareholders in the context of the Covid-19 pandemic
- Prospectus for admission to trading on the regulated market administered by the Bucharest Stock Exchange of shares issued by Bittnet Systems SA
- Universal registration document drawn up in accordance with Annex 2 to Delegated Regulation (EU) 2019/980
- Convening the Ordinary and Extraordinary General Meetings of Shareholders on 29.04.2020, for the approval of the financial statements for 2019 and of the distribution of profit, income and expenses budget for the financial year 2020; increasing the share capital by granting 7 free shares for each 10 shares held; increasing the share capital by granting one free share for each 10 shares held, the shares

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(all amounts are expressed in RON, unless otherwise specified)

thus acquired being left at the disposal of the company, for a period of 12 months from the acquisition date, in order to comply with the stock option plans approved; increasing the share capital by making new contributions from shareholders; approving an incentive plan for key persons, by offering options for the acquisition of a number of shares; amending the Articles of Incorporation regarding the authorized share capital

- Update of the Articles of Incorporation of the Company as a result of the share capital increase
- Procedure for expressing the option on how to implement the AGEA Decision no. 3 of 29 April 2020
- Increasing the share capital, by lifting the right of preference of the existing shareholders, by converting the receivable certified as certain, liquid and payable, held by the beneficiaries of the SOP program, decision in accordance with the mandate granted by the AGEA of April 25, 2018 and by the mandate granted by the AGEA of December 17, 2018 and the AGEA of January 29, 2020
- Consolidated, unaudited financial results for semester 1 2020, accompanied by the Semester Report prepared according to ASF Regulation no. 5/2018
- Convening the Ordinary and Extraordinary General Meetings of Shareholders for 26.11.2020, for the election of the financial auditor BDO AUDIT SRL, ratification of the implementation procedure of the AGEA Decision no. 3 of 29 April 2020, the acquisition of participations: 60.3665% of the share capital of EQUATORIAL GAMING S.A., 25% of the share capital of SOFTBINATOR TECHNOLOGIES S.A., 23% of the share capital of THE COMPANY E-LEARNING COMPANY SRL, approval of the investment for the acquisition of a minimum 20% and maximum 51% stake in the share capital of ITPREPARED SRL, with the mandate of the Board of Directors of the Company to establish the payment method and the procedure for implementing the AGEA decision, ratification of the investment made by the Company in the share capital of SAFETECH INNOVATIONS SA, capitalization of the company DENDRIO SOLUTIONS SRL, the mandate of the General Manager of the Company to undertake the necessary actions to expand the office space, approval to carry out some redemption programs of the bonds issued by the Company, present and future, in compliance with the applicable legal provisions, amendment of the Articles of Incorporation of the Company regarding the introduction provisions on preferential shares and authorized capital, increase of share capital through the issuance of new preferential shares
- Increasing the share capital of DENDRIO SOLUTIONS SRL, a Bittnet Group company, by offsetting the certain, liquid and payable receivable held by the sole shareholder
- Increasing the share capital of the Company, by lifting the right of preference of the existing shareholders, by converting the receivable certified as certain, liquid and due as a result of the implementation of the AGEA Decision no. 4/26.11.2020 and the AGEA Decision no. 5/26.11.2020 and the signing of the related sale-purchase contracts
- Guide for assessing the performance and efficiency of the Board of Directors

For the activity carried out in 2020, under the leadership of the President, the evaluation process of the Board of Directors was carried out, based on the Guide for assessing the performance and efficiency of the Board of Directors adopted by the Company; following the self-assessment, the Board established the following key areas of interest to be addressed in the following period:

1. Group Corporate Governance Standardization Analysis
2. Remuneration analysis and alignment at Group level
3. Transparency and digitisation of corporate governance

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(all amounts are expressed in RON, unless otherwise specified)



### Activity of the Advisory Committees

The Consultative Committees are constituted, by the decision of the Board of Directors of the Company, based on the provisions of art. 140 of the Companies Law no. 31/1990 republished, with the amendments and completions to date and of art. 19.11 of the Articles of Incorporation.

The Advisory Committees aim to conduct investigations and develop recommendations for the Council, in the specific field of each committee.

At the level of the Company, the following Advisory Committees are established by Council decisions:

- Audit Committee;
- Nomination and Remuneration Committee;
- Strategic Development Committee

For detailed information on the terms of reference specific to each Advisory Committee visit our website [at https://investors.bittnet.ro/en/despre-bittnet/corporate-regulations-policies/](https://investors.bittnet.ro/en/despre-bittnet/corporate-regulations-policies/)

### Audit Committee

The role of the Audit Committee is to assist the Board of Directors in efficiently supervising the aspects related to the risk management and internal control system at the level of the Company, in fulfilling the responsibilities of the Council in the field of financial reporting, internal control and risk management.

The Audit Committee was established by the decision of the Board of Directors in March 2020 and consists of the following persons:

<b>mr Lucian Claudiu ANGHEL</b>	Chairman of the Audit Committee, Vice-President of the Board of Directors (independent non-executive administrator)
<b>mr Cristian Ion LOGOFATU</b>	Member of the Audit Committee, Member of Board of Directors (non-executive administrator)
<b>mr Dan STEFAN</b>	Member of the Audit Committee, External member

During 2020, the Audit Committee met in 4 meetings, attended by all Committee members.

The topics discussed during the meetings of the Audit Committee, for which it made recommendations to the Board of Directors, where appropriate, were the following:

- Adoption of the annual financial statements for the financial year 2019
- Approval of the Administrator's Report for the financial year 2019
- Presentation of the Financial Auditor's Report 2019
- Adoption of the distribution of profit achieved in 2019
- Adoption of the Revenue and Expenditure Budget for 2019
- Adoption of consolidated unaudited financial results for semester 1 2020, accompanied by the Semester Report prepared according to ASF Regulation no. 5/2018
- Revocation of the financial auditor ACE-CONSULT SRL, considering the termination of the audit contract concluded with it
- Election of the auditor BDO AUDIT SRL, as financial auditor of the Company
- Outsourcing the internal audit function

(all amounts are expressed in RON, unless otherwise specified)

The Audit Committee carried out the self-assessment of the activity carried out in 2020, concluding that, overall, the Committee functioned effectively and effectively supervised the risk management and internal control system at the level of the Company, thus being satisfied in terms of fulfilling its role or providing effective support to the Board of Directors in fulfilling its responsibilities in the field of financial reporting, internal control and risk management.

#### **Nomination and Remuneration Committee**

The role of the Nomination and Remuneration Committee is to assist the Board of Directors (CA/Council) in the elaboration and implementation of the remuneration policy of the management structure and the nomination of candidates for the Council.

The Nomination and Remuneration Committee was established as a Remuneration Committee by decision of the Board of Directors of March 2020, mentioning that it will start its activity with the company's transition to the regulated market of BVB and will have the following component:

- o **Mr Cristian Logofatu, Member of the Board of Directors**
- o **Mr Sergiu Negut, External Member**
- o **Mr Andrei Pitis, Member of the External**

After admitting the Company on the regulated market of BVB, the Board of Directors in its meeting in July 2020 approved the renaming of the Committee in the Nomination and Remuneration Committee, and the completion of its component, as follows:

<b>mr Cristian Logofatu</b>	Chairman of the Nomination and Remuneration Committee Member of Board of Directors
<b>mr Mihai Logofatu</b>	Member of the Nomination and Remuneration Committee Chairman of the Board of Directors, as representative
<b>mr Lucian Anghel</b>	Member of the Nomination and Remuneration Committee, Vice-President of the Board of Directors
<b>mr Sergiu Negut</b>	Member of the Nomination and Remuneration Committee External member
<b>mr Andrei Pitis</b>	Member of the Nomination and Remuneration Committee External member

During 2020, the Nomination and Remuneration Committee met in 2 meetings, attended by all Committee members.

The topics addressed during these meetings related to the election of the Chairman of the Committee and the adoption of the Guide for assessing the performance and efficiency of the Board of Directors.

## Strategic Development Committee

The Strategic Development Committee has an advisory role and develops recommendations on the Company's development strategy.

It was established by the decision of the Board of Directors in July 2020 and consists of the following persons:

<b>mr Mihai Logofatu</b>	Chairman of the Strategic Development Committee, Chairperson of the Management Board:
<b>mr Lucian Anghel</b>	Member of the Strategic Development Committee, Vice-President of the Board of Directors
<b>mr Cristian Logofatu</b>	Member of the Strategic Development Committee, Member of Board of Directors
<b>mr Sergiu Negut</b>	Member of the Strategic Development Committee, External member
<b>mr Andrei Pitis</b>	Member of the Strategic Development Committee, External member
<b>mr Dan Stefan</b>	Member of the Strategic Development Committee, External member
<b>mr Dan Berteanu</b>	Member of the Strategic Development Committee, External member

During 2020, the Strategic Development Advisory Committee met in 2 meetings, attended by all Committee members.

The topics addressed at these meetings concerned the election of the Committee President and the analysis of the context and strategic development of the Bittnet Group. In addition, the Committee participated in a joint meeting with the Board of Directors, during which the Group's strategy was discussed.

**D.7 Any specialist, consultant, expert or financial analyst may attend the shareholders' meeting upon prior invitation from the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the President of the Council decides otherwise.**

ALL AGA MEETINGS OF THE ISSUER ARE TRANSMITTED VIRTUALLY ON THE INTERNET, LIVE.

**14.5 Potential material impacts on the corporate governance, including future changes in the board and committees composition (in so far as this has been already decided by the board and/or shareholders meeting).**

Not applicable

## Section 15: Employees

**15.1** Either the number of employees at the end of the period or the average for each financial year for the period covered by the historical financial information up to the date of the registration document (and changes in such numbers, if material) and, if possible and material, a breakdown of persons employed by main category of activity and geographic location. If the issuer employs a significant number of temporary employees, include disclosure of the number of temporary employees on average during the most recent financial year.

In 2020, the average number of employees of the group was 61. The following table shows the breakdown by functional departments at the end of the fiscal years: The figures do not include the situation of SFB and ELC employees at all.

Department	2,017	2,018	2,019	2,020
Sales	4	5	14	16
Technical	4	5	23	25
Marketing	2	1	2	4
Deliveries	1	3	8	14
Management	4	4	3	2

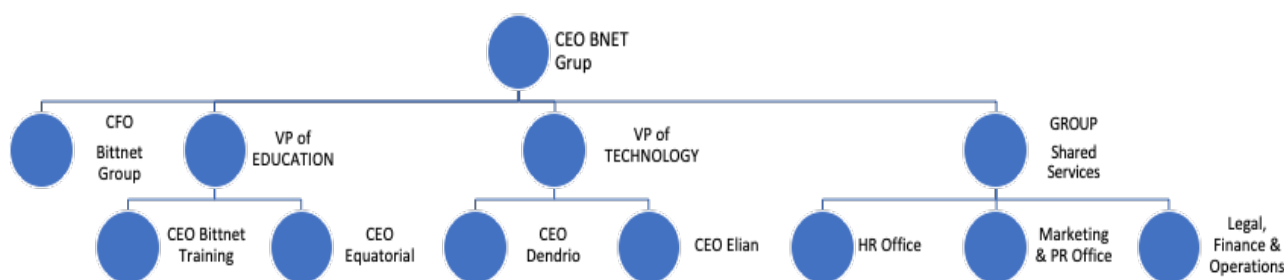
The company outsources a part of its activities to independent subcontractors. At the end of 2020, the Issuer was working with more than 100 contractors.

All employees of the company are graduates of higher education. The employees of the company are not organized into trade unions. In the history of the company, no conflicting situations occurred between the management and the employees.

As a peculiar aspect of the IT industry, it should be mentioned that employees and workers (freelancers) in the field are persons with a high degree of education, a steady willingness to learn and a high degree of independence. The type of working environment and the activity is characterized by joviality, youth, a desire to work and to “prove” one’s professional worth.

It should also be underlined that we operate in the digital economy area, and we are taking full advantage of the so-called “gig economy”, but we also face the challenges that it brings. Thus, the company is actively seeking to position itself as a platform that matches experts on various subjects with the relevant customers for the services concerned.

Each of the companies in the group have their own organizational charts, specific to the current, historical and future activity. The group is managed in a very decentralized manner, benefiting from only a few 'grouped' functions at 'shared services' level, according to the organizational chart below:



(all amounts are expressed in RON, unless otherwise specified)

**15.2 With respect to each person referred to in points (a) and (d) of the first subparagraph of item 12.1 provide information as to their share ownership and any options over such shares in the issuer as of the most recent practicable date.**

The shareholders of the company approved during the general meetings in April 2018, April 2019 and January 2020 stock options plans for key persons and terms of reference contracts for the executive management.

In the framework of these Stock Options Plans, persons within the Issuer's management and other persons likely to positively influence the results of the group may be granted the right to purchase Issuer's shares at preferential prices, as follows:

- 1) General Meeting of the Shareholders in April 2019: Stock Options Plan for key persons not appointed at the time of approval: maximum 5% of the total shares of the company. Exercise period: May-June 2021. Exercise price per share corresponding to the capitalisation of the Issuer on 01 January 2019. Under this plan, for 2020, Mr. Stanescu has the right to be compensated with the amount of 120,000 lei in options.
- 2) General Meeting of the Shareholders in January 2020: Stock Options Plan for key persons not appointed at the time of approval: maximum 5% of the total shares of the company. Exercise period: May-June 2022. Exercise price per share corresponding to the capitalisation of the Issuer on 01 January 2020.

Within this plan, Mr. Logofatu Mihai, as representative of the Chairman of the Board of Directors, has the right to purchase from the company, during May-June 2022, a number of shares equal to 0.75% of the total shares of the Company, for each year in which he served as Chairman of the Board of Directors.

Under this plan, Mr. Engofatu Cristian and Anghel Lucian, as members of the Board of Directors, have the right to purchase from the Company, during May-June 2022, a number of shares equal to 0.5% of the total shares of the Company, for each year in which they served as a member of the Board of Directors.

Under this plan, Mr. Adrian Stanescu, as Financial Manager, has the right to purchase from the Company, during May-June 2022, a number of shares equal to 0.5% of the total shares of the Company, for each year in which he has served as Financial Manager.

- 3) General Meeting of the Shareholders in April 2020: Stock Options Plan for key persons not appointed at the time of approval: maximum 5% of the total shares of the company. Exercise period: May-June 2022. Exercise price per share corresponding to the capitalisation of the Issuer on 21 April 2020.

**15.3 Description of any arrangements for involving the employees in the capital of the issuer.**

The shareholders of the company approved during the general meetings in April 2018, April 2019 and January 2020 stock options plans for key persons. In the framework of these Stock Options Plans, persons within the Issuer's management and other persons likely to positively influence the results of the group may be granted the right to purchase Issuer's shares at preferential prices, as follows:

- 1) General Meeting of the Shareholders in April 2019: Stock Options Plan for key persons not appointed at the time of approval: maximum 5% of the total shares of the company. Exercise period: May-June 2021. Exercise price per share corresponding to the capitalisation of the Issuer on 01 January 2019.
- 2) General Meeting of the Shareholders in January 2020: Stock Options Plan for key persons not appointed at the time of approval: maximum 1.5% of the total shares of the company. Exercise period: May-June 2022. Exercise price per share corresponding to the capitalisation of the Issuer on 01 January 2020.
- 3) General Meeting of the Shareholders in April 2020: Stock Options Plan for key persons not appointed at the time of approval: maximum 5% of the total shares of the company. Exercise period: May-June 2022. Exercise price per share corresponding to the capitalisation of the Issuer on 21 April 2020.

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(all amounts are expressed in RON, unless otherwise specified)

- 4) The AGS of April 2021 has on its agenda the approval of an Incentive Plan for key persons not nominated at the time of approval: maximum 5% of the total shares of the Company. Exercise period: May-June 2023. Exercise price per share corresponding to the capitalisation of the Issuer on 1 January 2018.

## Section 16: Major shareholders

**16.1 In so far as is known to the issuer, the name of any person other than a member of the administrative, management or supervisory bodies who, directly or indirectly, has an interest in the issuer’s capital or voting rights which is notifiable under the issuer’s national law, together with the amount of each such person’s interest, as at the date of the registration document or, if there are no such persons, an appropriate statement to that effect that no such person exists.**

At the date of drafting this document, the Issuer has a share capital registered with the Trade Register consisting of **282,609,943** shares. The issuer has submitted to ASF 3 files for registration of share capital increase operations, related to the operations of August 2020, December 2020 and March 2021. The operation completed in March 2021 has been recorded quickly, and thus, the number of BNET shares available at the Central Depository is **247,228,275** , and the other two operations will be re-analyzed by ASF after the amendment of Regulation no. 5/2018, which ASF is considering.

Thus, starting from the number of shares held on 31.12.2020 and adding the shares subscribed in the capital increase of March 2021, assuming that during this period their shareholders did not make sales, the Issuer considers that the following shareholders meet the criterion of owning more than 5% of the voting rights of the Issuer:

Shareholder	Shares	Percentage (vs 282,609,943 shares)	Percentage (vs 247,228,275 shares)
CAPATINA-GROSANU RAZVAN	23,298,624	8,2441%	9,4239%
EMOTION CONCEPT SRL	12,591,126	4,4553%	5,0929%

**16.2 Whether the issuer’s major shareholders have different voting rights, or an appropriate statement to the effect that no such voting rights exist.**

Not applicable, issuer’s major shareholders have the same voting rights as the other shareholders. 1 share grants 1 voting right in the General Meetings of Shareholders.

**16.3 To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control and describe the measures in place to ensure that such control is not abused.**

The issuer is not owned or controlled directly or indirectly.

**16.4 A description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer.**

Not applicable. There is no arrangement that is known to the Issuer and that could generate a change of control over the Issuer.

## Section 17: Related party transactions

**17.1 Details of related party transactions (which for these purposes are those set out in the Standards adopted in accordance with the Regulation (EC) No 1606/2002 of the European Parliament and of the Council (2), that the issuer has entered into during the period covered by the historical financial information and up to the date of the registration document, must be disclosed in accordance with the respective standard adopted under Regulation (EC) No 1606/2002 if applicable. If such standards do not apply to the issuer the following information must be disclosed: (a) the nature and extent of any transactions which are, as a single transaction or in their entirety, material to the issuer. Where such related party transactions are not concluded at arm's length provide an explanation of why these transactions were not concluded at arm's length. In the case of outstanding loans including guarantees of any kind indicate the amount outstanding; (b) the amount or the percentage to which related party transactions form part of the turnover of the issuer.**

1606/2002 shall apply to the issuer, the information referred to in points (a) and (b) shall be presented only for transactions carried out since the end of the last financial year for which audited financial information has been published.

During 2020, the Issuer did not conclude significant transactions with persons with whom it acts in concert or with affiliates. In carrying out normal operational activity, there are trade flows that generate transactions between group companies, in insignificant amounts for consolidation:

- Bittnet to Dendrio: 187 thousand lei, of which 130 thousand indirect expenses distribution
- Dendrio to Bittnet: 225 thousand lei, products resold to customers
- Dendrio to Elian: 30 thousand lei, products resold to customers
- Elian to Bittnet: 27 thousand lei, licenses and Microsoft Nav support
- Elian to Dendrio: 45 thousand lei, licenses and Microsoft Nav support

## Section 18: Financial information on the Issuer's assets, liabilities, financial position and profits and losses

### 18.1 Historical financial information

#### 18.1.1. Historical audited financial information for the last three financial years (or any shorter period since the issuer operates) and the audit report for each financial year.

According to Article 19 of the Regulation (EU) 2017/1129, taking into account that the annual and interim financial information, as well as the audit reports are such information that can be incorporated by reference in the document, if they were published previously, below we list the internet addresses where the audited annual results are available,

- The IFRS-format financial results for 2016-2018 were published by the Issuer, together with the audit report, in November 2019 at:
- IFRS financial results for fiscal year 2019 were made available to investors as supporting documents for AGOA dated 29.04.2020, together with the audit report at: <https://investors.bittnet.ro/en/intalniri-ale-ale-ale-aonariilor/29-aprilie-2020/>
- IFRS financial results for fiscal year 2020 were made available to investors as supporting documents for AGOA dated 27.04.2021, together with the audit report at: <https://investors.bittnet.ro/ro/intalniri-ale-actionarilor/aqa-27-aprilie-2021/>

#### 18.1.2. Amendment of the accounting reference date

**If the issuer has changed its accounting reference date within the range for which historical financial information is requested, the audited historical information shall cover at least 36 months or the entire period during which the issuer was active, i.e. the shortest of those periods.**

Not applicable, the Issuer has not changed the accounting reference date in the interval for which it is requested historical financial information.

#### 18.1.3. Accounting standards

**The financial information shall be prepared in accordance with International Financial Reporting Standards as approved in the Union on the basis of Regulation (EC) No 1606/2002. Where Regulation (EC) No 1606/2002 does not apply, the financial information shall be drawn up in accordance with: (a) national accounting standards of a Member State for EEA issuers in accordance with Directive 2013/34/EU; (b) national accounting standards of a third country equivalent to Regulation (EC) No 1606/2002 for third country issuers. Where the national accounting standards of that third country are not equivalent to Regulation (EC) No 1606/2002, the financial statements shall be restated in accordance with that Regulation.**

Financial information is prepared in accordance with IFRS International Financial Reporting Standards as approved on the basis of Regulation (EC) No 1606/2002



**18.1.4. Amendment of the accounting framework**

The latest audited historical financial information, containing comparative information for the previous year, shall be presented and prepared in a form compatible with the accounting standards framework to be adopted in the issuer's next published annual financial statements, taking into account the accounting standards and policies and the legislation applicable to those annual financial statements. Amendments to the accounting framework applicable to an issuer shall not require the restatement of audited financial statements solely for the purpose of the document. However, if the issuer intends to adopt, in its next published financial statements, a new accounting standards framework, at least one complete set of financial statements (as defined in IAS 1 Presentation of Financial Statements as set out in Regulation (EC) No 1606/2002, including comparative figures, shall be submitted in a form compatible with that to be adopted in the issuer's next published annual financial statements, taking into account the accounting standards and policies and legislation applicable to those annual financial statements.

The most recent audited financial information of the Issuer, namely those related to the financial year 2020, were published as supporting documents for AGOA from 27.04.2021 and then included in the Annual Report 2020, published on the issuer's website at *the investors* section as well as on the BVB website at the NBET symbol.

Starting with the financial year 2019, the Financial Information is prepared in accordance with IFRS International Financial Reporting Standards based on Regulation (EC) No. 1606/2002.

**The IFRS-format financial results for 2016-2018 were published by the Issuer, together with the audit report, in November 2019.18 at: Where audited financial information is prepared in accordance with national accounting standards, it shall include at least the following elements: (a) the balance sheet; (b) the profit and loss account; (c) a statement of all changes in equity or changes in equity other than those resulting from capital transactions with owners or distributions to owners; (d) the statement of cash flows; (e) accounting methods and explanatory notes.**

Not applicable. The issuer prepares and reports the financial statements in accordance with IFRS.

**18.1.6. Consolidated financial statements**

If the issuer prepares both stand-alone and consolidated annual financial statements, at least the consolidated annual financial statements shall be included in the document.

**18.1.7. Date of financial information**

The balance sheet of the last financial year for which the financial information has been audited shall have ended at the latest: (a) 18 months before the document date, if the issuer includes audited interim financial statements in the document; (b) 16 months before the document date, if the issuer includes unaudited interim financial statements in the document

The last financial year for which the financial statements were audited is 2020.

**18.2 Interim financial and other financial information**

**18.2.1. Where the issuer has published quarterly or half-yearly financial information since the date of the last audited financial statements, that financial information shall be included in the document. If the quarterly or half-yearly financial information concerned has been audited or reviewed, the review or audit report shall also be included. If quarterly or half-yearly financial information is not audited or has not been reviewed, this shall be stated. If it has been drawn up more than nine months after the date of the last audited financial statements, the document shall contain interim financial information, which may not be audited (if specified), for at least the first six months of the financial year. Interim financial information prepared in accordance with the requirements of Regulation (EC) No 1606/2002. For issuers not covered by Regulation (EC) No 1606/2002, interim financial information shall include comparative statements for the same period of the previous financial year, except that the requirement for comparative balance sheet information can be met by presenting the final balance sheet of the year in accordance with the applicable financial reporting framework.**

Not applicable. This document is drafted and published before the publication of the quarterly financial results for the 1st quarter of 2021. Any subsequent financial information will be published on BVB's website and on the issuer's website according to the communication schedules of the financial results for each financial year.

**18.3. Auditing of historical annual financial information**

**18.3.1. The historical annual financial information must be independently audited. The audit report shall be prepared in accordance with the Directive 2014/56/EU of the European Parliament and Council (3) and Regulation (EU) No 537/2014 of the European Parliament and of the Council (4). Where Directive 2014/56/EU and Regulation (EU) No 537/2014 do not apply: (a) the historical annual financial information must be audited or reported on as to whether or not, for the purposes of the document, it gives a true and fair view in accordance with auditing standards applicable in a Member State or an equivalent standard; (b) if audit reports on the historical financial information have been refused by the statutory auditors or if they contain qualifications, modifications of opinion, disclaimers or an emphasis of matter, such qualifications, modifications, disclaimers or emphasis of matter must be reproduced in full and the reasons given.**

According to Article 19 of the Regulation (EU) 2017/1129, taking into account that the annual and interim financial information, as well as the audit reports are such information that can be incorporated by reference in the document, if they were published previously, below we list the internet addresses where the audited annual results are available, as IFRS format (accompanied by the audit report), and the non-audited half-yearly results (the Issuer is not required to audit the interim results).

The IFRS-format financial results for 2016-2018 were published by the Issuer, together with the audit report, in November 2019 at:

<https://investors.bittnet.ro/wp-content/uploads/2019/12/IFRS-Raportul-auditorului-situatii-financiare-consolidate-2016-2018-Bittnet.pdf>

The IFRS-format financial results for 2019 were published by the Issuer, together with the audit report, at:

<https://investors.bittnet.ro/wp-content/uploads/2020/06/Raport-Anual-2019-Bittnet-Systems.pdf>

**18.3.2. Indication of other information in the document that has been audited by the auditors.**

Not applicable.

**18.3.3 Where financial information in the document is not extracted from the Issuer's audited financial statements, please state the source of the information and that the information is not audited.**

Not applicable

**18.4. Pro forma financial information**

In the case of a significant gross change, a description of how the transaction might have affected the assets, liabilities and earnings of the Issuer, had the transaction been undertaken at the commencement of the period being reported on or at the date reported. This requirement will normally be satisfied by the inclusion of pro forma financial information. This pro forma financial information is to be presented as set out in Annex 20 and must include the information indicated therein. Pro forma financial information must be accompanied by a report prepared by independent accountants or auditors.

Not applicable

**18.5. Dividend policy.****18.5.1. A description of the Issuer’s policy on dividend distributions and any restrictions thereon. If the Issuer has no such policy, please include an appropriate negative statement.**

The General Meeting of Shareholders adopts the decision on the allocation of profits annually. The Issuer’s strategy is not to pay dividends from the financial year profits. The Issuer intends to continue to fully invest the profits in the company development, that means a ‘no dividend’ policy for the shareholders. The Issuer intends to maintain this profit reinvestment policy for as long as its growth prospects outweigh the growth prospects of its activity market.

The Issuer’s dividend policy is set out in detail at:

<https://investors.bittnet.ro/politicile-corporative/politica-de-dividend/?lang=ro>

At the General Meeting of Shareholders of November 2020, both amendments to the Articles of Incorporation and an offer of preferential shares were approved, the latter aims to replace the debenture loans of the Issuer by preferential shares – so they will mandatory offer dividends to shareholders.

According to the Articles of Incorporation, if there are preferential shares, they will receive an allocation of the priority dividend from the consolidated net profit of the previous fiscal year, calculated as a multiple of 1.75 applied to the percentage of preferential shares in the total share capital. The General Meeting established a maximum limit of preferential shares that can be offered within the first capital increase operation equal to 30,127,746 preferential shares.

**18.5.2. The amount of the dividend per share for each financial year for the period covered by the historical financial information adjusted, where the number of shares in the Issuer has changed, to make it comparable.**

The Issuer did not pay dividends from the results of its historical financial years. The General Meeting of Shareholders adopts the decision on the allocation of profits annually. The Issuer’s strategy is not to pay dividends in the following financial year. Bittnet is active in a very dynamic field – Information Technology . So far Bittnet has managed to achieve significant growth rates. On the other hand, the current size of the company, coupled with the consolidation trend across all industries, makes us believe that the only way we can go is ‘higher and higher’. That is why we intend to continue to invest any available resources in the development of the company. From the shareholders’ point of view, the ‘full profit reinvestment’ policy also means a ‘no dividend’ policy.

We intend to propose this reinvestment policy to the Shareholder Meeting as long as the growth prospects of the company generally outweigh the growth prospects of the market. In the long run, the value that the company creates is reflected in the value of the company itself – its stock price. The management considers that we can continue to maintain a growth rate above that of the general market for a significant period of time.

Our current operational capacity is such that we can extract profits from the accelerated growth in turnover. This is the our management intention: continue to increase the turnover under similar conditions of profitability expressed as gross margin. Thus, the company will generate more money to cover a generally fixed structure of costs, basically the ‘additional gross margin’ contributing almost entirely to the company gross profit.

According to the dividend policy, in 2016, 2017 and 2018, the General Meeting decided to reward the shareholders by capitalizing the company’s profits and granting free shares – one operation each year.

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(all amounts are expressed in RON, unless otherwise specified)

**18.6. Legal and arbitration proceedings**

**Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past significant effects on the Issuer and/or group's financial position or profitability, or provide an appropriate negative statement.**

The Issuer declared that it had no information on any governmental, legal or arbitration proceedings within the previous 12 months which may have or had significant effects on its financial position or profitability.

**18.7. Significant change in the Issuer's financial position**

**18.7.1. A description of any significant change in the financial position of the group which has occurred since the end of the last financial year for which either audited financial statements or interim financial information have been published, or provide an appropriate negative statement.**

In Q1 2021 the Issuer has finalized a capital increase operation, raising ±RON 10.7 million via market mechanisms.

## Section 19 Additional information

**19.1. Share capital – The information in items 19.1.1 to 19.1.7 in the historical financial information as of the date of the most recent balance sheet:**

**19.1.1. The amount of issued capital, and for each class of share capital:**

**(a) the total of the Issuer’s authorized share capital;**

According to the approval of the General Meeting of the Shareholders of November 2020, the authorized share capital was of 120,000,000 ordinary shares and 80,000,000 preferential shares, respectively.

Upon the drafting of the universal registration document, the Issuer’s subscribed and paid-up share capital was of RON 28,260,994.3, according to the Mention Registration Certificate issued by the Romanian National Trade Register Office (ONRC). Out of the 282,609,943 ordinary shares representing the share capital, at the time of drafting this document, only 247.228.275 were registered with the Financial Supervisory Authority (ASF) and the Central Depository. The Issuer has submitted to the Financial Supervisory Authority (ASF) 2 registration files for capital increase operations.

**(b) the number of shares issued and fully paid, and issued but not fully paid;**

The number of shares issued and fully paid up was of 282,609,943.

The number of shares issued but not fully paid up was 0

**(c) the par value per share, or that the shares have no par value; and**

The nominal value of a share was RON 0.1.

**(d) a reconciliation of the number of shares outstanding at the beginning and end of the year. If more than 10 % of capital has been paid for with assets other than cash within the period covered by the historical financial information, please state that fact.**

Change date	Reference date	Registration date	Operation	Initial No. of shares	Final No. of shares
05/05/2020	12/04/2019	08/07/2019	Share capital increase (11,046,641 shares) with priority right granted to all shareholders registered in the Issuer’s register on 07/08/2019.	116,203,206	127,249,847
24/07/2020	N/A	21/07/2020	Share capital increase by granting free shares, 7:10	127,249,847	216,324,740
18/12/2020	N/A	21/07/2020	Share capital increase by granting free shares, 1:10	216,324,740	229,049,725

Upon the publication of this report, the company had under registration with the Financial Supervisory Authority (ASF) /Central Depository two capital increase operations in exchange with amounts payables registered with the Romanian National Trade Register Office (ONRC) – of [August 2020](#) and [December 2020](#).

At the Romanian National Trade Register Office (ONRC), the company was registered with a share capital of **282,609,943** shares.

(all amounts are expressed in RON, unless otherwise specified)

During the period covered by the historical financial information, no part of the share capital was paid for with assets other than cash.

**19.1.2. If there are shares not representing capital, please state the number and main characteristics of such shares.**

Not applicable

**19.1.3. The number, book value and face value of shares in the Issuer held by or on behalf of the Issuer itself or by subsidiaries of the Issuer.**

Not applicable

**19.1.4. The amount of any convertible securities, exchangeable securities or securities with warrants, with an indication of the conditions governing and the procedures for conversion, exchange or subscription.**

Not applicable

**19.1.5. Information about and terms of any acquisition rights and/or obligations over authorized but unissued capital or an undertaking to increase the capital.**

The General Meeting of Shareholders of November 2020 authorized the Issuer to increase the share capital by a maximum of 120,000,000 ordinary shares and 80,000,000 shares, respectively.

The General Meeting of Shareholders in December 2018 bestowed upon the Issuer's management the power to decide to restrict or lift the priority right of the existing shareholders at the time of that share capital increase.

The authorization was granted in order to accomplish the stock option plans with the options approved by the GMS in 2018, 2017, 2016, and later in 2019.

**19.1.6. Information about any capital of any member of the group which is under option or agreed conditionally or unconditionally to be put under option and details of such options including those persons to whom such options relate.**

At General Meetings in April 2018, April 2019, January and April 2020, the company shareholders approved stock option plans under option for key persons, and the executive management mandate contracts. Under these stock option plans ('SOP'), persons in the Issuer's management and other persons who may positively influence the group's results may be entitled to acquire at preferential prices shares in the Issuer, as follows:

- 1) GMS of April 2019: Stock option plan for key persons not listed at the time of approval: maximum 5 % of the total shares in the company. Exercise period: May-June 2021 Exercise price per share corresponding to the Issuer's capitalization of January 1, 2019.
- 2) GMS of January 2020:
  - a. Stock option plan for key persons not listed at the time of approval: maximum 1.5 % of the total shares in the company. Exercise period: May-June 2022 Exercise price per share corresponding to the Issuer's capitalization of January 1, 2020.
  - b. Members of the Management Board, except the Chairperson: 0.5 % per 2020, 0.5 % per 2021. Exercise period: May-June 2022 Exercise price per share corresponding to the Issuer's capitalization of January 1, 2020.
  - c. Chairperson of the Management Board: 0.75% per 2020, 0.75% per 2021. Exercise period: May-June 2022 Exercise price per share corresponding to the Issuer's capitalization of January 1, 2020.

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(all amounts are expressed in RON, unless otherwise specified)

- 3) GMS of April 2020: Stock option plan for key persons not listed at the time of approval: maximum 5 % of the total shares in the company. Exercise period: May-June 2022 Exercise price per share corresponding to the Issuer's capitalization of April 21, 2020.
- 4) The GMS of April 2021 has on its agenda the approval of a Stock option plan for key persons not listed at the time of approval: maximum 5 % of the total shares in the company. Exercise period: May-June 2023 Exercise price per share corresponding to the Issuer's capitalization of April 14, 2021.

### 19.1.7. A history of share capital, highlighting information about any changes, for the period covered by the historical financial information.

The figures in the table below are expressed in RON:

	Share capital	Issuance premium	Other items	Legal reserve	Carried forward result	Parent company total equity	Minority interests	Total equity
<b>31/Dec/19</b>	11,620,321	0	1,118,923	352,151	(2,872,249)	10,219,145	324,703	10,543,849
Net profit	-	-		-	895,127	895,127	129,907	1,025,034
Capital Increase 1	1,104,664	8,070,048	(322,992)			8,851,720		8,851,720
Capital Increase 2	8,907,489	(7,087,082)			(1,820,407)	(0)		(0)
Capital Increase 3	1,272,498		(924,483)		(1,272,498)	(924,483)		(924,483)
Capital Increase 4	2,469,723		(2,494,723)			(25,000)		(25,000)
Decision nr. 10,11	1,068,445	24,426,998	(18,845,443)			6,650,000		6,650,000
SOP			1,574,721			1,574,721	-	1,574,721
non-cont interest EQG			-			-	10,440	10,440
Dividends					149,842	149,842	(209,814)	(59,972)
Legal reserves				116,792	(116,792)	-		-
<b>31/Dec/20</b>	26,443,139	25,409,965	(19,893,997)	468,943	(5,036,978)	27,391,072	255,237	27,646,309

## 19.2. Memorandum and Articles of Association

### 19.2.1. The register and the entry number therein, if applicable, and a brief description of the Issuer's objects and purposes and where they can be found in the up to date memorandum and articles of association.

The Issuer's updated Articles of Association are available on the Issuer's website under the *Investors* section and can be accessed here: <https://investors.bittnet.ro/updated-articles-of-association/>

The Issuer's main object and purpose is 6202 – Consultancy activities in information technology. This class includes the planning and design of computer systems that integrate hardware, software and communication technologies, and consultancy services that may also include user training.

The object and purpose are set out in 'Article 5 – Company object and purpose' of the Issuer's updated Articles of Associations.

### 19.2.2. Where there is more than one class of existing shares, a description of the rights, preferences and restrictions attaching to each class.

Not applicable. Although the Issuer's Articles of Incorporation provide for the possibility to issue preferential shares, at the time of drafting this document there were only ordinary shares.

### 19.2.3. A brief description of any provision of the Issuer's articles of association, statutes, charter or bylaws that would have an effect of delaying, deferring or preventing a change in control of the Issuer.

Not applicable

(all amounts are expressed in RON, unless otherwise specified)



## Section 20 Additional information Important contracts

**20.1. A summary of each material contract, other than contracts entered into in the ordinary course of business, to which the Issuer or any member of the group is a party, for the two years immediately preceding publication of the registration document. A summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the group which contains any provision under which any member of the group has any obligation or entitlement which is material to the group as at the date of the registration document.**

Outside the normal framework of the operational activity, the Issuer makes investments in the capital of other companies. Following the approval by the November 2020 General Meeting of Shareholders of the investments in the EQG, SFB and ELC companies, the Issuer signed the investment contracts and informed the shareholders thereof through current reports. All these investment contracts implied the payment of the equivalent value of the purchased shares, partly in cash and partly by BNET shares.

If for ELC and SFB, the Issuer has taken the necessary steps to pay its debt to the sellers, both in terms of the cash tranche and the tranche to be settled by shares, for ELC, the latter step – payment of the amount to be settled by shares – was not yet completed. In addition, the capital increase registration operation with the Financial Supervisory Authority (ASF) as a result of the settlement by BNET shares of the transactions with SFB and EQG was not yet completed, and has no estimated date. These circumstances may generate future obligations of the Issuer that we cannot estimate now, in case we will not be able to fulfil the obligations assumed under these contracts.

## Section 21 Additional information Available documents

**21.1. A statement that for the term of the document the following documents, where applicable, can be inspected:**

**(a) the up to date memorandum and articles of association of the Issuer;**

**(b) all reports, letters, and other documents, valuations and statements prepared by any expert at the Issuer's request any part of which is included or referred to in the registration document. An indication of the website on which the documents may be inspected.**

During the document validity period, the updated Articles of Association, the universal registration document and all documents relevant for the shareholders can be checked on the Issuer's website under the *Investors* section (<https://investors.bittnet.ro/>).

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**BITTNET SYSTEMS S.A., represented by Mihai Alexandru Constantin Logofatu, CEO**

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(all amounts are expressed in RON, unless otherwise specified)

## Annex 2 – ‘Alternative Performance Measurements’

The ESMA guidelines require us to explain any indicator we have used in assessing the financial or non-financial results of the company, if that indicator is not found in the IFRS or XBRL standards, published by ESEF. In our financial statements, we used the following indicators:

Indicator	Definition/Calculation method	Why is it relevant?
<b>Operating profit</b>	<p>It is about the core business profit, i.e. the business of serving our clients.</p> <p>It takes into consideration all the incomes and expenses related to the current business and does not take into consideration the financial incomes and expenses, or those related to the holding-type business (of the group, i.e. us as a listed company).</p> <p>It is calculated by taking out of each business line results the income and expenses items (cash or non-cash) that are not related to the current business.</p> <p>The most significant adjustments (differences between gross profit and operating profit) are:</p> <ol style="list-style-type: none"> <li>1. Financial result elimination (expenses addition to the gross profit, and financial-type incomes subtraction)</li> <li>2. Non-cash IFRS adjustment elimination, related to the Stock Option Plan</li> </ol>	<p>Operational business (also known as ‘current’ or ‘core’) means the company businesses.</p> <p>This measures the performance and the business activity in relation to the competition, regardless of the taxation environment, the reporting accounting framework or the company financing method (the mix of equity and loans, the costs of maintaining the stock exchange rate, etc.).</p> <p>That is to say, this is the result the company (or each business line) would have if it operated as a company fully financed by its own resources (by ‘equity’ – shareholders' equity).</p>
<p><b>‘Gross Margin’, or</b></p> <p><b>‘gross margin’, or</b></p> <p><b>‘GM’, or</b></p> <p><b>‘margin’</b></p>	<p>The calculation formula for this indicator is the ‘revenue MINUS COGS (cost of goods sold)’.</p> <p>Thus, the expenses directly related to those projects (obtaining those revenues) is subtracted from the invoices issued to clients. For the software license resale projects, we buy a license for RON 90 and resell it to the client for RON 100. The difference is the ‘gross margin’.</p> <p>If we invoice a client for a cloud project implementation services, the gross margin is the difference between the revenues invoiced to the client and the man-hour cost required for implementation, regardless if the implementing engineer is our employee or a subcontractor.</p>	<p>This indicator is the company’s ‘GDP’, it is the ‘added value’ that we generated for our partners.</p> <p>This indicator reflects not only the value we bring to our clients, but also, by inward looking at the company, it reflects the amounts of money we have at our disposal to cover the fixed expenses.</p>

(all amounts are expressed in RON, unless otherwise specified)

## Auditors' report

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of BITTNET SYSTEMS S.A.

Headquarters: 23 str. Șoimuș, bl. 2, sc. B, ap.24, Bucharest, România  
CUI: 21181848

### Report on consolidated financial statements

#### Opinion

1. We have audited the consolidated financial statements of BITTNET SYSTEMS S.A. ("the Company"), which comprise which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

The consolidated financial statements as of December 31, 2020 refer to:

- Net assets/Total equity and reserves: RON 27.646.309
- Net profit of the year: RON 1.025.034

2. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of Accounting Regulations in accordance with International Financial Reporting Standards (OMFP no. 2844/2016).

#### Basis for Opinion

3. We conducted our audit in accordance with International Standards on Auditing (ISAs), EU Regulation no. 537 issued by the Parliament and the European Council (the Regulation), and Law no. 162/2017 (the Law). Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Romania, including the Regulation and the Law, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other matters

4. The financial statements of the Company for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on March 27, 2020.

As part of our audit of the 2020 financial statements, we also audited the adjustments described in Note 2 that were applied to correct the 2019 financial statements. In our opinion, such adjustments are appropriate and properly applied. We were not engaged to audit, review, or apply procedure to the 2020 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2019 financial statements taken as a whole.

5. This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

**Key audit matters**

6. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

These matters were addressed in the context of our audit of financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Revenue recognition</b>	
<p><b>Key audit matters</b></p> <p>Please see Note 7 „ Revenue fro contract with customers”.</p> <p>According to ISA, an inherent risk regarding the revenue recognition may exist when management is under pressure to achieve an expected financial outcome.</p> <p>The main activities from which the Group generates revenues are those of sale and implementation of IT&amp;C products, provision of training services, respectively sale of use licenses.</p> <p>Revenue is recognized when control is transferred to the customer, which generally occurs when he receives the products sold, respectively at the time the service was provided.</p>	<p><b>How audit addressed key audit matters:</b></p> <p>The audit procedures performed included, among others:</p> <ul style="list-style-type: none"> <li>▪ Evaluating the processes and internal controls regarding existence and accuracy of revenue recognition, including detection of fraud and errors in revenue recognition;</li> <li>▪ Inspection based on a sample of contracts signed with customers, to understand the delivery conditions, and also the conditions for discounts to be paid;</li> <li>▪ Examine the sale journals to identify unusual transactions and inspection of supporting documentation to asses whether the revenue has been properly recognized.</li> <li>▪ Performing audit procedures to test that the revenue were recorded in the appropriate period, for a sample of the transactions recorded close to the year end.</li> <li>▪ Testing based on a sample of the receivables recorded by sending confirmations letters.</li> </ul>



### **Other Information - Annual Report of the Board of Directors**

7. The board is responsible for preparation and presentation of other information. The other information comprises the consolidated Board of Directors Report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
8. In connection with our audit of the consolidated financial statements for the year ended at December 31, 2020, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
9. With regards to the Board of directors Report, we have read and report whether it was prepared, in all material respects, in accordance with the OMFP 2844/2016, articles 26-28, out of the Accounting Regulations in accordance with International Financial Reporting Standards.
10. Based exclusively on the activities that should be done during the audit of the financial statements, in our opinion:
  - a) Information presented in the Board of Directors Report for the financial period for which the consolidated financial statements have been prepared, is in accordance, in all material respects, with financial statements;
  - b) The Board of Directors Report has been prepared, in all material respects, in accordance with OMFP 2844/2016, articles 26-28 out of the Accounting Regulations in accordance with International Financial Reporting Standards.
11. Besides this, based on our knowledge and understanding of the Company and its environment gained during the audit of consolidated financial statements for the year ended at December 31, 2020, we shall report whether we identified any information included into Board of Directors Report that is material misstated. We have nothing to report in this regard.

### **Responsibilities of Management and Those charged with Governance for the Consolidated Financial Statements**

12. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with OMFP 2844/2016, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
13. In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management intends to liquidate the Company's or to cease operations, or has no realistic alternative but to do so.
14. Those charged with governance are responsible for overseeing the Company's financial reporting process.



## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

15. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.
16. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
  - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
  - We obtain sufficient and adequate audit evidence regarding the financial information of the entities or activities within the Group, in order to express an opinion on the consolidated financial statements. We are responsible for coordinating, supervising and executing the group audit. We are solely responsible for our audit opinion.
17. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



18. We also, provide those charged with governance with a statement regarding our compliance with ethical requirements regarding independence, and we communicate to them all the relationships and other aspects which could may be reasonably considered that could affect our independence and, where needed, related safety measures.
19. Out of the aspects communicated to those charged with governance, we set those aspects that were of higher importance in auditing the financial statements from the current period and, therefore, represents key audit matters. We described such aspects in our audit report, except for the case when the legislation or regulation prohibit public presentation of such aspects, or in case of, in extremely rare circumstances, we consider that an aspect may not be presented in our report when the negative impact of such a communication will overcome the benefits of presentation.

**Report on other legal and regulatory provisions**

20. We were appointed by the General Shareholders Meeting on November 26, 2020 to audit the financial statements of BITTNET SYSTEMS S.A. for the financial year 2020. The total continuous period of our commitment is 1 years, respectively for the financial year ended December 31, 2020.
21. We confirm that:
  - Our audit opinion is in accordance with the additional report presented to the Company's Audit Committee, which was issued on the same date as this report. Also, during our audit, we maintained our independence in relation with the audited entity.
  - We have not provided to the Company prohibited non-audit services, mentioned in article 5 (1) of the EU Regulation no.537 / 2014.

On behalf of BDO AUDIT SRL

Registered to Electronic Pubic Register of financial auditors and audit companies no. FA18

Name of the engagement partner: Cristian Iliescu

Refer to the original signed  
Romanian version

Registered to Electronic Pubic Register of financial auditors and audit companies no. AF1530

March 26, 2021

Bucharest, Romania



## Financial Statements

CEO - Mihai Logofatu

CFO - Adrian Stanescu

confirmed that, from their point of view, the financial statements set in accordance with the body of applicable accounting standards provided a true and fair overview of the assets and liabilities, the financial status and financial result of the Issuer and the companies involved in the consolidation, and that the management report provided a true overview of the company development and results and the status of the Issuer and the companies involved in the consolidation, as well as a description of the main risks and uncertainties they faced.

**BITTNET SYSTEMS SA**  
**CONSOLIDATED FINANCIAL STATEMENTS**

for the financial year 2020

(all amounts are expressed in RON, unless otherwise specified)

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(all amounts are expressed in RON, unless otherwise specified)

## Consolidated Comprehensive Income Statement

	<u>2020</u>	<u>2019</u>
Revenue from customers	109,191,760	98,011,545
Sales costs	(87,725,366)	(81,566,267)
<b>Gross margin</b>	<b>21,466,394</b>	<b>16,445,278</b>
Other income	451,828	657,734
Selling expenses	(7,508,988)	(7,271,196)
General and administrative expenses	(10,053,352)	(11,281,333)
Profit/(loss) – Equity Method Holdings	(171,521)	61,767
Interest income	1,319,470	534,904
Financial expenses	(4,019,587)	(4,285,276)
<b>Gross profit</b>	<b>1,484,245</b>	<b>(5,138,122)</b>
Income tax	(459,211)	679,781
<b>Net profit, out of which:</b>	<b>1,025,034</b>	<b>(4,458,341)</b>
Parent company	895,127	(4,581,227)
minority interests	129,907	122,885
<b>Total overall result</b>	<b>1,025,034</b>	<b>(4,458,341)</b>
Parent company	895,127	(4,581,227)
minority interests	129,907	122,885
<b>Earnings per share</b>		
basis	0.0034	(0.0181)
diluted	0.0030	(0.0172)

(all amounts are expressed in RON, unless otherwise specified)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<u>31 dec 2020</u>	<u>31 dec 2019</u> corrected
<b>ASSETS</b>		
<b>Fixed assets</b>		
Goodwill	21,082,977	17,701,643
Other intangible assets	8,820,959	6,425,725
Tangible assets	5,443,423	6,742,571
Equivalent securities	8,527,500	1,236,738
Other financial assets	7,483	1,107,049
Deferred tax	650,200	910,581
<b>Total fixed assets</b>	<b>44,532,542</b>	<b>34,124,307</b>
<b>Current assets</b>		
Inventories	1,157,052	2,567,205
Trade receivables and other receivables	30,330,712	32,249,740
Other financial assets	1,459,700	-
Cash and equivalents	24,872,655	20,824,117
<b>Total current assets</b>	<b>57,820,119</b>	<b>55,641,063</b>
<b>TOTAL ASSETS</b>	<b>102,352,661</b>	<b>89,765,370</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	26,443,139	11,620,321
Issuance premium	25,409,965	-
Other equity items	(19,893,997)	1,118,923
Reserves	468,943	352,151
Carried forward result	(5,036,978)	(2,872,249)
<b>Parent company equity</b>	<b>27,391,072</b>	<b>10,219,145</b>
Non-controlling interests	255,237	324,703
<b>Total equity and reserves</b>	<b>27,646,309</b>	<b>10,543,849</b>
<b>Long-term liabilities</b>		
Bonds	28,357,324	28,195,593
Bank loans	4,570,517	4,807,687
Leasing debts	3,036,719	3,842,943
Deferred tax	35,964,560	36,846,223
<b>Total long-term liabilities</b>		
<b>Current liabilities</b>	889,781	889,781
Bank loans	7,583,930	3,560,417
Leasing debts	1,401,465	1,325,649
Corporate tax liabilities	121,203	226,880
Trade liabilities and other liabilities	28,745,411	36,372,572
<b>Total current liabilities</b>	<b>38,741,791</b>	<b>42,375,298</b>
<b>Total liabilities</b>	<b>74,706,352</b>	<b>79,221,521</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>102,352,661</b>	<b>89,765,370</b>

(all amounts are expressed in RON, unless otherwise specified)

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>2020</b>	<b>2019</b>
<b>Gross profit</b>	<b>1,484,245</b>	<b>(5,138,122)</b>
Adjustments for:		corectat
Depreciation expenses	1,993,939	1,897,637
SOP benefits	1,574,721	1,001,644
Adjustments for receivables depreciation	(262,885)	84,551
Interest expenses and other financial costs	3,362,206	3,754,304
Interest income	323,690	56,152
(Profit)/Loss – Securities investments	(1,168,120)	
(Profit)/Loss – Equity Method securities	401,783	(6,411)
<b>Operating profit before working capital variation</b>	<b>7,709,580</b>	<b>1,649,755</b>
Variation in receivables account balances	3,224,995	(9,646,903)
Variation in inventory account balances	1,410,184	(1,949,146)
Variation in payables account balances	(3,683,943)	19,052,282
<b>Operation-generated cash</b>	<b>8,660,816</b>	<b>9,105,989</b>
Paid income tax	(310,496)	(603,701)
<b>Operating activities-generated net cash</b>	<b>8,350,320</b>	<b>8,502,288</b>
<b>Investment activities:</b>		
Payments for subsidiary purchase, +/- purchased cash	(3,527,955)	(709,920)
Payments for participating interests	(4,027,500)	-
Goodwill procurement	(5,450,000)	-
Tangible and intangible asset procurement	2,419,335	(893,873)
Other investments in financial assets	(291,580)	
Interests received	130,897	405,485
<b>Investment activities-generated net cash</b>	<b>(10,746,803)</b>	<b>(1,198,308)</b>
<b>Financing activities:</b>		
Share issuances	8,851,720	-
Share redemptions	(949,483)	
Bank loan drawings	6,110,872	-
Bank loan repayments	(2,700,000)	(813,770)
Bond issuances	-	9,600,000
Bond issuance reimbursements	-	(4,186,000)
Leasing debt payments	(1,607,641)	(1,500,098)
Paid interest	(3,200,475)	(2,627,877)
Dividends paid to non-controlling interests	(59,972)	-
<b>Financing activities-generated net cash</b>	<b>6,445,020</b>	<b>472,255</b>
<b>Net increase in cash and equivalents</b>	<b>4,048,537</b>	<b>7,776,235</b>
Cash and equivalents at the beginning of the financial year	20,824,117	13,047,882
<b>Cash and equivalents at the end of the financial year</b>	<b>24,872,654</b>	<b>20,824,117</b>

(all amounts are expressed in RON, unless otherwise specified)

## CONSOLIDATED STATEMENT of CHANGES in EQUITY

	Share capital	Issuance premium	Other equity items	Legal reserve	Carried forward result	Total Parent Company equity	Interests non-controlling	Total equity
<b>Dec/31/2018</b>	<b>5,175,524</b>	<b>2,594,889</b>	<b>1,038,755</b>	<b>266,124</b>	<b>4,723,436</b>	<b>13,798,728</b>	<b>201,818</b>	<b>14,000,546</b>
Net profit	-	-	-	-	(4,581,227)	(4,581,227)	122,885	(4,458,341)
Other items of the overall result	-	-	-	-	-	-	-	-
<b>Total overall result</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,581,227)</b>	<b>(4,581,227)</b>	<b>122,885</b>	<b>(4,458,341)</b>
<i>Transactions with shareholders</i>								
Share capital increase	5,523,321	-	-	-	(2,928,432)	-	-	2,594,889
Benefits to SOP employees	921,476	(2,594,889)	80,168	-	-	-	-	(1,593,245)
Legal reserve distribution	-	-	-	86,027	(86,027)	-	-	-
<b>Dec/31/2019</b>	<b>11,620,321</b>	<b>-</b>	<b>1,118,923</b>	<b>352,151</b>	<b>(2,872,249)</b>	<b>10,219,145</b>	<b>324,703</b>	<b>10,543,849</b>
Net profit	-	-	-	-	895,127	895,127	129,907	1,025,034
Other items of the overall result	-	-	-	-	-	-	-	-
<b>Total overall result</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>895,127</b>	<b>895,127</b>	<b>129,907</b>	<b>1,025,034</b>
<i>Transactions with shareholders</i>								
Share capital increase	14,822,819	25,409,964	(22,587,641)	-	(3,092,905)	14,552,236	-	14,552,236
Benefits to SOP employees	-	-	1,574,721	-	-	1,574,721	-	1,574,721
Dividend distribution	-	-	-	-	149,842	149,842	(209,814)	(59,972)
Legal reserve distribution	-	-	-	116,792	(116,792)	-	-	-
<b>Dec/31/2020</b>	<b>26,443,139</b>	<b>25,409,965</b>	<b>(19,893,997)</b>	<b>468,943</b>	<b>(5,036,978)</b>	<b>27,391,072</b>	<b>255,237</b>	<b>27,646,309</b>

## Notes to the Financial Statements

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**NOTE 1. GENERAL 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 nr. 23, bl 2, ap. 24, Sector 4, Bucharest and working point Bd. Timisoara, Nr. 26, Plaza Romania Offices Building, 1st Floor, Sector 6, Bucharest and the following subsidiaries, all subsidiaries being registered in Romania:

	<u>31 December 2020</u>	<u>31 December 2019</u>
<b>SUBSIDIARIES - % ownership</b>		
Dendrio Solutions	100%	100%
Elian Solutions	51.02%	51.02%
Equatorial Gaming	98.99%	25.00%
Equatorial Training	-	-
<b>MINORITY INTERESTS</b>		
Softbinator Technologies	25%	-

The group has more than 120 employees and collaborators, working for one of the 5 companies included in the group (Bittnet Systems, Dendrio Solutions, Elian Solutions, Equatorial Gaming, Equatorial Training).

The consolidated financial statements include the results of the acquisition business combination. In the statement of financial position, the purchaser's identifiable assets, liabilities and contingent liabilities are initially recognized at their fair values at the acquisition date. The results of purchased operations are included in the consolidated statement of comprehensive income as of the date when control was attained (Dendrio Solutions – September 2017, Elian Solutions – November 2018).

**Bittnet Systems SA** - Tax reference number 211818481

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

In February 2009, the company changed its legal status to a public limited liability company (SA) following the share capital increase, using the profits generated in 2008. In 2012, the company received a first infusion of money "from outside" (equity investment) from business angel Răzvan Căpățină, who is still an important shareholder of the company.

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

In 2016, the company has created a new area of competence by introducing consulting and migration services in cloud. As a result, Bittnet 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 the growth and diversification of technical skills specific to AWS and Azure in order to be able to respond to the received requests.

Since April 2018, the new group structure has been adopted and the Bittnet Group business structure has been reorganized into two key divisions: Education and Technology.

- **Education** - which currently consists of the IT training segment where Bittnet is a market leader, with almost 20 years of experience and the largest team of trainers in Romania.

Bittnet trainings allow experts to access technology by teaching IT skills, from the basic ones (e.g.: Microsoft Office Suite) to the most advanced ones (Cloud, DevOps, Cybersecurity). The business training portfolio contains project management, IT service management, business intelligence, CRM, ERP, Agile, etc.

- **Technology** - which is focused on IT integration services, offering integration solutions previously offered both by **Bittnet** and **Dendrio**. This activity has a shared portfolio of products, services and solutions and a larger team that will allow for a higher workload, both technically and in terms of sales.

#### **Dendrio Solutions** - Tax reference number 11973883

During 2017, Bittnet Group purchased GECAD NET from entrepreneur Radu Georgescu. In the first half of 2018, GECAD Net was renamed Dendrio Solutions. Dendrio is the only multi-cloud hybrid solution integrator in Romania, with a consolidated position as a company certified by the world's leading IT providers, focusing on cloud and IT security.

The IT solutions provided by Dendrio include: general consultancy services, IT assessment services, implementation and migration services, maintenance and support services, infrastructure optimization services and IT training services. The company is the only multi-cloud hybrid integrator in Romania, having strengthened its certified company position by the world's leading IT providers, 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 the foreign markets. Crescendo's IT&C division has been integrated into Dendrio and as a result of the merger, the company profits by a more stable business structure, extensive staff resources as well as an extensive portfolio of customers, products and services.

#### **Elian Solutions** -Tax reference number 23037351

In 2018, the Group purchased a majority stake in the company providing ERP solutions, Elian Solutions. Elian completed the IT integration service offer by adding ERP solutions to the group's portfolio.

Elian Solutions is specialized in providing deployment services for Enterprise Resource Planning (ERP), Microsoft Dynamics NAV. Elian is the only partner holding a Gold Certificate for this solution granted by Microsoft in Romania. The solution implemented by Elian enables the companies to be informed about the



status of the stocks, the receivables and the debts, in order to be able to predict, inter alia, the cash flow, to track production, the cost centers and many others.

**Equatorial Gaming** - Tax reference number 30582237

In 2018, the Group purchased a significant stake in the game-based learning company, Equatorial Gaming. Following this acquisition, Equatorial activities were integrated into the **Education** division.

In August 2020, Bittnet has exercised the option to convert the 1.05 million lei loan extended in 2018 to EQG, to an equivalent of 20,1% of the share capital. In November 2020, Bittnet shareholders have approved buying 60,3665% of EQG shares, the result being that Bittnet owns 98,99% of EQG shares.

Equatorial, *a game-based learning* company, is specialized in providing transformative training and consultancy programs at individual, team and organizational level, in Romania and abroad. In 2015, the company invented and launched Equatorial Marathon, an Alternate Reality Game for corporations that increases employees' engagement and stimulates their behavioral changes. In 2018 Equatorial launched a new product: VRunners, an evolution for Marathon mobile platforms. In 2019, Equatorial released 2 new games: White Hat and the Bona Fidae Agency.

**Softbinator Technologies** – Tax reference number 38043696

During the General Meeting of Shareholders of November 2020, Bittnet's shareholders voted to purchase a 25% stake, the group's first investment in a software development company.

Softbinator is a product development company, specialized in designing, development and launching on the market software products mainly in Fintech, MedTech/HealthTech and EdTech fields for customers in Europe, North America and Asia, in which Bittnet Group became a shareholder in December 2020.

Softbinator is involved in software products development, web and mobile solutions for digitizing the education process, lifestyle/medical and health field, e-payments, e-commerce, online gaming and checked in 2020 areas which haven't been explored in the previous years through digital banking (including crypto), Internet of Things (IoT), Automotive and has explored a new vertical in e-commerce expertise: marketplaces.

## Group Management and Directors

On January 29, 2020, the General Meeting approved the modification of the company's Articles of Incorporation in order to be administrated by a 3 members Board of Directors. The council's composition is in accordance with the election results:

- 1) **Ivylon Management SRL** by **Mihai Alexandru Constantin Engofatu**. At the drafting time of this note, Mihai Logofatu holds a number of 30,596,923 shares , representing 13.3582% of the share capital and voting rights. Mihai Logofatu is co-founder of Bittnet Systems.
- 2) **Cristian Ion Logofatu**, holds a number of 27,841,516 shares, representing 12.1552% of the share capital and voting rights. Cristian Logofatu is co-founder of Bittnet Systems.

Mihai and Cristian Logofatu are brothers and co-founders of the Issuer in 2007.

- 3) **Anghel Lucian Claudiu** – independent administrator, holds 1,785,000 shares of the Issuer, i.e. 0.7793% of the voting rights.

Bittnet Systems' operational management is ensured by: **Mihai Logofatu** – CEO and co-founder and **Adrian Stanescu** – CFO, together with **Cristian Herghelegiu** – VP for Technology, who joined the executive team once Gecad Net has been purchased – and **Dan Berteanu** – VP for Education. These 3 persons are identified as key management from IFRS' perspective.

Starting with 2012, after having attracted the capital infusion from Razvan Capatina, Bittnet has 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 2020, the Advisory Board has turned into the Strategic Development Committee with the same composition.

Starting with 2019 Mr. **Herghelegiu** is VP for Technologies and Mr. **Berteanu** is VP for Education.

The advisory board meets at least 4 times a year, is presented the internal management reports, and the board members assist and guide the management of the Company in taking the strategic decisions.

The experience of the Advisory Board members has been a real support in the development of the Company in the last 4 years and Bittnet continues to rely on their support against the new challenges.

**NOTE 2. BASIS FOR DRAWING UP THE FINANCIAL STATEMENTS****a) Declaration of conformity**

The Group's financial statements were prepared in accordance with International Financial Reporting Standards adopted by the European Union ("EU IFRS"), and in accordance with OMFP 2844/2016, as amended and supplemented, "for the approval of accounting regulations in accordance with International Financial Reporting Standards".

The consolidated financial statements were prepared on the basis of the historical cost convention and on the basis of the business continuity principle. The consolidated financial statements are presented in RON, which is also the functional currency of the Group.

The financial statements were prepared for information purposes, in order to accept the issuer Bittnet Systems SA on the regulated market and do not represent the statutory financial statements of the entity/group.

The main accounting policies adopted in the preparation of the consolidated financial statements are set out at Note 28 "Significant accounting policies".

**b) Business continuity**

The Coronavirus pandemic poses a serious threat to public health and the Government imposes restrictions on natural and legal persons. The significant development and spread of the coronavirus did not take place until January 2020. The coronavirus was announced as a global health emergency only on 31 January 2020 (when the national governments took action). Considering this, the effects of the coronavirus were considered an event that does not lead to an adjustment of the financial statements (IAS 10) and therefore the associated forecasts and assumptions used in the preparation of the financial statements as at 31 December 2020 did not reflect the changes as a result of the coronavirus outbreak.

**Adopted measures**

Using the technological solutions in the Dendrio portfolio, starting 2 weeks ago, approximately 90% of the Bittnet team (which includes Bittnet Training, Equatorial, Dendrio and Elian) work from home without facing with significant disruptions regarding the daily activities. This measure has been taken for an indefinite period.

In the event that all 100% of the team members need to work from home, the Issuer does not foresee any significant administrative impediment in its daily work, and the work schedule will continue almost under the same conditions as the usual schedule.

***Impact on the businesses***

The event that marked 2020 is the world Covid-19 pandemic, and the movement and activity restrictions ("lockdowns") imposed by the governments in all parts of the world that have significantly affected some of the industries. This situation could generate a liquidity crisis, as a result of the fears expressed by the consumers and companies about a future recession or economic crisis. However, it seems that the monetary measures taken by the governments and the central banks have given enough confidence to the business environment that a "crunch credit" will not happen. The issuer follows very carefully the liquidity indicators - the receivables conversion into cash, turnover with customers and suppliers, etc.

Certainly, also for 2021, the element that can have the greatest negative influence on the good business of the group is (as we wrote in the analysis on the impact of Covid-19 published at the time of the "first wave" - from Q1 2020) the governments' reaction to the global pandemic. Thereby, it seems that the scenario we operate with is the scenario of a „second wave“ in the crisis of the "global pandemic". The alternative, which still exist as a systemic risk and also perpetuated during 2021, is the "pandemic plus the economic crisis" scenario.

As a general rule, we estimate that the solution, technology and service deliveries that can be performed remotely will continue, while the solution deliveries that require physical contact with customers could be delayed for the duration of the force majeure. There is also the possibility that the delivery of some hardware products may be delayed by the manufacturers, which would also generate delays in the projects' execution.

All considered scenarios imply that the Group will continue its operation, based on the business continuity principle.

### c) Corectii ani anteriori

The financials of the Group reported for 2019 have been corrected following the reassessment of revenue recognition principles for some training and IT&C products and their coresponding costs, a correction of the amortization of unlimited-life intangibles, and the accrual of bonds interest. No corrections were done previous to 2019.

The effects of the corrections are presented below:

<b>Comprehensive Income</b>	<b>Corrected</b>	<b>Previous</b>	<b>Diferences</b>
Revenues from customers	98,011,545	99,749,829	(1,738,283)
Cost of sales	(81,566,268)	(82,494,676)	928,408
Operational costs	(18,552,529)	(18,076,318)	(476,210)
Financial expenses	(4,285,276)	(3,395,495)	(889,781)
Income tax	679,781	331,642	348,139
<b>Correction to the Net result</b>			<b>(1,827,728)</b>

<b>Shareholder Equity</b>	<b>Corrected</b>	<b>Previous</b>	<b>Diferences</b>
Inventory	2,567,205	1,997,289	569,917
Payables	(36,372,572)	(34,130,836)	(2,241,736)
Intagibles Amortization	6,425,725	6,039,991	385,733
Bonds' Accrued Interest	(889,781)	-	(889,781)
Deferred Income Tax	910,581	562,443	348,139
<b>Corrections to Equity</b>			<b>(1,827,728)</b>

**d) New standards and interpretations, valid at 31 December 2020**

The EU has adopted a series of standards that are mandatory to be applied to the fiscal year 2020, that we have taken into account for the current financial statements:

- **Conceptual framework for financial reporting (revised)** – The conceptual framework contains the definitions on which all IFRS requirements are based (assets, liabilities, revenue, costs, etc). The revised framework improves upon these concepts.
- **IAS 1 Presentation of financial statements and IAS 8 Accounting Policies**, changes in estimates and errors (Amendment – Information presentation Initiative - Definitions). Materiality decisions are customary in determining the level of precision when applying the principles in practice. The modifications are a part of the IASB „Disclosure Initiative” project, destined to simplify financial statements, in order to increase their actual usage.
- **IFRS 3 Business Combinations (Changes to the Definition of the business)** – As a revision of IFRS 3, there is a new definition for what a business means. This will lead to less acquisitions being qualified as business combinations within IFRS 3. The changes also introduce an optional „concentration test” that allows a simplified assessment on whether a set of activities and assets acquired are a business or not.
- **IBOR reform and its effects on financial statements – Phase 1** – Changes to requirements regarding hedging accounting to offer relief from potential reform to IBOR, previous to reference rates changes. Supplementary, standards have been changed to ask for supplementary presentations that explain how an entity's hedging operations are affected by uncertainties generated by IBOR reforms.
- **Leasing contracts (Change – Concessions to rent regarding COVID-19)** – In response to the Covid19 pandemic, the IASB has issued some changes to IFRS 16, changes that allow renters to not assess if a rent payment delay should be considered a change to the leasing. Renters apply other IFRS standards, that allow recording rent concessions as negative variable payments. Changes are mandatory for annual reporting periods starting after June 1 2020, and previous contracts have the option to be assessed or not.

All the above changes have had no significant impact to the financial statements.

***New standards and interpretations not applicable on 31 December 2020***

There are a number of standards, amendments to 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 most important of these are the following, which are all applicable for the period starting on 1 January 2022:

- Contracts – Costs of carrying out a contract (Amendments to IAS 37);
- Tangibles : revenues before use (IAS 16);
- Annual improvements to IFRS 2018-2020 (la IFRS 1, IFRS 9, IFRS 16 și IAS 41); și
- References to the conceptual framework (IFRS 3).

The Group is currently assessing the impact of these new accounting standards and changes, but does not anticipate a significant impact.

**NOTE 3. ESSENTIAL ESTIMATES AND ACCOUNTING REASONING**

The Group makes certain estimates and assumptions about the future. Estimates and reasoning shall be assessed on an ongoing basis on the basis of the historical experience and other factors, including expectations of 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 pose a significant risk of generating a significant adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below.

**Essential reasoning**

- Income recognition (Note 7) – principal/agent relationship;
- Bittnet brand recognition (Note 15);
- Recognition of the key persons loyalty program by offering options - "SOP" (Note 21)

**Estimates and assumptions**

- Fair value assessment of assets held for sale (Note 16)
- Evaluation of the counterperformance related to the "SOP" (Note 21)
- Assessment of adjustments to receivables' impairment (Note 19)

Excepting the financial assets held for sale, the Group does not hold assets and liabilities included in the financial statements that require measurement and/or presentation of the fair value.

**NOTE 4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT**

The Group shall be exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Currency risk
- Other market price risks and
- Liquidity risk.

Along with all other businesses, the Group is exposed to risks arising from the use of its financial instruments. This note describes the objectives, policies and processes of the Risk Management Group and the methods used to assess them. Additional quantitative information on these risks is presented below, in these financial statements.

There haven't been any substantial changes over the reported periods in terms of the Group's exposure to the risks of its financial instruments, objectives, policies and risk management processes or the methods used to assess them in previous periods, unless otherwise specified in this note.

*(i) Main financial instruments*

The main financial instruments used by the Group, resulting in the risk of the financial instrument, are the following:

- Receivables and loans;
- Cash and cash equivalents;
- Variable rate bank loans;
- Bank loans and fixed-rate bonds;
- Business debts and other liabilities.

*(ii) Financial instruments by category*

FINANCIAL LIABILITIES	<u>31 dec 2020</u>	<u>31 dec 2019</u>
Bond issue loans	29,247,105	29,085,374
Leasing liabilities	4,438,185	5,168,592
Bank loans	12,154,447	8,368,104
Trade liabilities and other liabilities	25,008,454	31,517,393
<b>Total</b>	<b><u>70,848,191</u></b>	<b><u>74,139,462</u></b>
FINANCIAL ASSETS	<u>31 dec 2020</u>	<u>31 dec 2019</u>
Receivables and loans	29,156,645	32,480,865
Cash and equivalents	24,872,655	20,824,117
<b>Total</b>	<b><u>54,029,300</u></b>	<b><u>53,304,983</u></b>

*(iii) Financial instruments not measured at fair value*

Financial instruments that are not measured at fair value include cash and cash equivalents, receivables and loans, trade and other liabilities, bank loans and bonds.

Due to the short-term nature, the net asset value of cash and cash equivalents, trade and other receivables as well as trade and other liabilities, including loans, is close to their fair value.

***General objectives, policies and processes***

The Council of Administration has overall responsibility for determining the Group's risk management objectives and policies and, while keeping the responsibility for them, has delegated the authority for design and operation of processes to ensure the effective implementation of the objectives and policies in the Group's funding function. The Council receives monthly reports from the Group CFO examining the effectiveness of the processes implemented and the adequacy of the objectives and policies it sets.

The general objective of the Council of Administration is to establish policies that aim to reduce risks as far as possible without unduly affecting the Group's competitiveness and flexibility. More details on these policies are given below:

***Credit risk***

Credit risk represents the risk that the Group's debtors may not honor their obligations at the due date, due to the deterioration of their financial situation. The group is less exposed to this risk due to the specificity of the products and services sold, which are addressed to companies of certain sizes, with a special financial situation.

The group analyzes the new customers using specialized tools (sites with specific customer creditworthiness analysis) and has a strict procedure for documenting orders and providing services or delivering goods. As an evidence of this risk management, the Group was not affected in any way by the insolvencies of 2K Telecom or Teamnet International (unlike some of the competitors).

However, the Group has not identified a solution that can completely eliminate credit risk, which is one of the most important risks for a company of our size.

Additional relevant information on trade and other receivables, which are neither due or impaired, is provided at Note 19.

**Cash in bank deposits and short-term deposits**

The Group regularly monitors banks' credit ratings and at the reporting date no losses from counterparties' non-performance are expected. For all financial assets for which impairment requirements have not been applied, the net asset value represents the maximum exposure to the credit loss.

***Market risk***

Market risk arises from the use by the Group of interest-bearing, tradable and foreign currency financial instruments. There is a risk that the fair value or the future cash flows of a financial instrument may fluctuate due to changes in the interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).



*Interest rate risk*

The group is exposed to the risk that the interest rate might increase, having contracted bank loans and bond issuance, all in RON. Any increase in the interest rate will be reflected by the increase in financial costs. The Group regularly monitors the market situation to forecast the risk associated with the interest rate.

Most of the amounts borrowed currently have FIXED annual interest. The weighted cost of the borrowed capital is slightly below 7.6% per annum. We believe that the next financial period will be a period in which the fact that, for the most part, the price of the borrowed capital has been fixed will constitute a competitive advantage.

	<u>31 dec 2020</u>	<u>31 dec 2019</u>
Variable interest	12,154,447	5,668,104
Fixed interest	33,685,290	36,953,966
<b>Total</b>	<u><b>45,839,737</b></u>	<u><b>42,622,069</b></u>

On December 31, 2020, if the interest rates corresponding to the loans in RON had been by 1% higher/lower, all the other variables being kept constant, the gross profit for that year would have been by 458,397 lower/higher (December 31, 2019: 426,221), mainly as a result of higher/lower interest expense on variable rate loans.

*Currency risk*

An important element of the market risk is the risk of exchange rate fluctuation. The group aims to be neutral against the fluctuation risk of the exchange rate. The activities carried out in this respect are:

- The Group avoids as much as possible the submission of "cross currency" sales offers (offers with the sale price expressed in other currency than the purchasing currency);
- If such offers are requested, clauses such as "variation limit" are included;
- All sale prices from the contracts are expressed in a foreign currency and are invoiced in RON at the exchange rate on the delivery date;
- The group does not operate with stocks;

Starting with fiscal year 2018, there was a need to contract financial products to ensure a fixed price for purchasing foreign currency. Several requests for tenders received from customers require tendering in a different currency than the purchasing currency. Thereby, the Group analyzed and tested various financial solutions in this regard.

Once the export activity increases, the Group keeps the collected currency in the initial currency, in order to be able to make the payments directly in the currency of the external partner. This approach allows us to cancel the effect of the exchange rate fluctuation for the open invoices (because the losses recorded by increasing the value of the payment invoices are compensated by the gains produced by the increased value of the owned foreign currency). Especially with Dendrio's acquisition, the estimates collected from Bittnet's customers are more relevant for Dendrio's payments to external suppliers (Dendrio has significant purchases from external suppliers).

On 31 December, the Group's net exposure to foreign exchange risk was as follows (equivalent amounts in RON):

Net financial assets/(liabilities) in foreign currency	31 dec 2020	31 dec 2019
RON	(11,317,916)	(21,493,276)
Eur	(6,242,288)	564,424
USD	741,313	94,372

### *Other market risk*

The Group holds some strategic equity investments in other companies that complement the Group's operations. The management considers that the exposure to market risk in this activity is acceptable in the circumstances of the Group, but it is much higher than the risk associated with an investment in government securities or stakes in investment funds, mainly due to the volatility and unpredictable evolution of share prices, both on short term and on long term.

The general risks associated with the direct or indirect acquisitions that the Group has carried out or will carry out in the future described under the subsection are fully applicable also with respect to Dendrio's acquisition of the IT&C Integration Activity from Crescendo.

From the perspective of the way the investment was structured, the qualification of an operation between Dendrio and Crescendo as a business transfer, both from a tax point of view and from the perspective of employees' rights (at local and EU level) is essential. However, this qualification depends on a number of aspects that show, among others, the independence and economic identity of the business that has been taken over. The Group's efforts have been and continue to be the identification of the Transferable Elements so that the IT&C integration activity to be taken over from Crescendo maintains these characteristics (independence and economic identity). However, in the event of a dispute which would call into question the qualification of the operation between Dendrio and Crescendo (e.g. with the tax authorities and/or the transferred staff), there is no guarantee that the same assessment will be made by the court concerned. To the extent that the operation between Dendrio and Crescendo would be removed from the scope of the business transfer, the negative effects may consist of the ineffectiveness of taking over Crescendo's employees, considered, by the specificity of the activity taken over, the most important element of the business transfer concerned and/or the incurrance of the obligation to pay VAT by Dendrio to Crescendo (if VAT would not be considered part of the price) in the context of the Business Transfer Agreement, in such case generating a limited liquidity risk for Dendrio.

In addition to the particularities of Crescendo's IT&C Integration Acquisition Structure and relevant documentation, the specifics of the Acquired Activity and the Transferred Items pose challenges for the Group and Dendrio that may decisively influence Crescendo's integration, customer base, expected margins or cash flows, or achieve anticipated acquisition benefits, including expected growth or synergies.

### Liquidity risk

Liquidity risk stems from the Group's management of the working capital and financial expenses and main repayments of its debt instruments. There is a risk that the Group will encounter difficulties in meeting its financial obligations as they mature.

It is the Group's policy to ensure that it will always have sufficient cash to enable it to cover its debts at maturity. To achieve this objective, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days. The Group also seeks to reduce liquidity risk by fixing interest rates (and therefore cash flows) on part of its long-term loans, and this is mentioned in the „interest rate risk“ section above.

The following table shows contractual maturities (representing contractual cash flows of financial liabilities):

<b>31 December 2020</b>	<b>Up to 3 months</b>	<b>3 to 12 months</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>
Bond issues	819,458	70,323	4,451,616	23,905,708
Leasing debt	338,976	1,062,489	1,401,465	1,635,254
Bank loans	880,996	6,702,934	2,680,677	1,889,840
Trade liabilities and other liabilities	25,008,454	-	-	-
<b>Total</b>	<b>27,047,884</b>	<b>7,835,747</b>	<b>8,533,759</b>	<b>34,295,912</b>
<b>31 December 2019</b>	<b>Up to 3 months</b>	<b>3 to 12 months</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>
Bond issue loans	819,458	70,323	-	28,195,593
Leasing debts	367,812	957,837	1,315,864	2,527,078
Bank loans	2,914,160	646,257	4,807,687	-
Trade liabilities and other liabilities	31,013,941	-	-	-
<b>Total</b>	<b>35,115,370</b>	<b>1,674,418</b>	<b>6,123,551</b>	<b>30,722,671</b>

### Relevant information on equity

The Group monitors all components of the equity.

The Group's objectives in maintaining capital are:

- protect the entity's ability to continue as a continuing concern so that it can continue to generate profits for shareholders and benefits for other stakeholders; and
- provide an adequate return to shareholders by establishing the prices of the products and services in line with the risk level.

**NOTE 5. PER SHARE RESULT**

The group presents both the basic result per share and the diluted result per share:

- the basic earnings per share are calculated by dividing the net profit for the current year attributable to the Group's shareholders by the weighted average number of shares over the period;
- the diluted earnings per share shall be calculated on the basis of the net profit, adjusted by the dilutive effect of the employee's share options.

The earnings per share are adjusted retroactively at the beginning of the first period reported for the increase in the number of shares resulting from capitalization.

The calculation of the result per share for the financial years 2019-2020 is presented in the following table:

	<u>2020</u>	<u>2019</u>
<b>Net profit attributable to parent company (A)</b>	<b>895,127</b>	<b>(4,581,227)</b>
<b>Number of shares - beginning of period</b>	<b>116,203,206</b>	<b>51,755,238</b>
Capitalization of premiums/retained earnings	137,181,546	64,447,968
Shares issued during the period against cash	-	-
<b>Number of shares - end of period</b>	<b>253,384,752</b>	<b>116,203,206</b>
<b>Average ordinary shares in the period (B)</b>	<b>260,749,179</b>	<b>253,384,752</b>
Dilutive Effect Shares (SOP)	54,790,185	14,200,032
<b>Total average (C)</b>	<b>297,632,951</b>	<b>265,648,064</b>
<b>Earnings per share</b>		
basic (A/B)	0.0034	(0.0181)
diluted (A/C)	0.0030	(0.0172)

**NOTE 6. SEGMENT REPORTING**

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

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

- **Education** - which currently consists of IT training segment  
Bittnet trainings allow experts to access technology by teaching IT skills, from the basic ones (e.g.: Microsoft Office Suite) to the most advanced ones (Cloud, DevOps, Cybersecurity). The business training portfolio contains project management, IT service management, business intelligence, CRM, ERP, Agile, etc.

- **Technology** - which is focused on IT integration services, offering integration solutions previously offered both by **Bittnet** and **Dendrio**. This activity has a shared portfolio of products, services and solutions and a larger team that will allow for a higher workload, both technically and in terms of sales.

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

OPERATIONAL RESULTS	2020			2019		
	Education	Technology	Total	Education	Technology	Total
Total revenue	12,827,276	96,724,166	109,551,442	11,687,924	86,454,909	98,142,833
Revenue between segments	(33,173)	(326,509)	(359,682)	(10,910)	(120,378)	(131,288)
Revenue from customers	12,794,103	96,397,656	109,191,760	11,677,014	86,334,531	98,011,545
<b>Gross margin</b>	<b>7,769,911</b>	<b>13,696,483</b>	<b>21,466,394</b>	<b>6,406,711</b>	<b>10,038,567</b>	<b>16,445,278</b>
Allocated selling costs	(2,305,830)	(5,203,157)	(7,508,988)	(2,571,234)	(4,699,962)	(7,271,196)
<b>Margin, after selling costs</b>	<b>5,464,081</b>	<b>8,493,326</b>	<b>13,957,406</b>	<b>3,835,477</b>	<b>5,338,605</b>	<b>9,174,082</b>
Other income			451,828			657,734
Unallocated operating expenses			(10,053,352)			(11,281,333)
Financial income/expenses			(2,871,638)			(3,688,605)
<b>Gross profit</b>			<b>1,484,245</b>			<b>(5,138,122)</b>

ASSETS / LIABILITIES	31 December 2020			31 December 2019		
	Education	Technology	Total	Education	Technology	Total
<b>Investments in non-financial assets</b>	4,345,319	496,554	<b>4,841,873</b>	455,598	5,556,915	<b>6,012,514</b>
Assets per segment	12,880,069	50,308,126	63,188,195	14,010,930	48,227,496	62,238,426
Unallocated assets			29,177,266			26,290,205
<b>Total Assets</b>			<b>92,365,462</b>			<b>88,528,632</b>
Liabilities by segment	4,497,182	52,485,711	56,982,893	4,392,754	53,990,779	58,383,533
Unallocated liabilities			16,833,677			19,948,207
<b>Total liabilities</b>			<b>73,816,570</b>			<b>78,331,740</b>

**NOTE 7. REVENUES FROM CONTRACTS WITH CUSTOMERS**

Revenues from contracts with customers for the financial years 2019-2020 are detailed in the following table:

	<u>2020</u>	<u>2019</u>
Training services	12,794,103	11,677,014
IT Solutions Integration Services	19,270,712	14,190,933
<b>Revenue from provision of services</b>	<b><u>32,064,815</u></b>	<b><u>25,867,947</u></b>
Sale of goods integration IT solutions	35,774,853	25,950,606
Resold licenses	41,352,092	46,192,993
<b>Sale of goods</b>	<b><u>77,126,944</u></b>	<b><u>72,143,598</u></b>
<b>Total</b>	<b><u>109,191,760</u></b>	<b><u>98,011,545</u></b>

**Training services**

Revenues from training services include experts' access to technology through the teaching of IT skills, from basic ones (e.g.: Microsoft Office Suite) to the most advanced ones (Cloud, DevOps, Cybersecurity). The business training portfolio contains 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 per week, 8 hours per day) or mixed format (2/4/6 hours courses, depending on the customer'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 upon completion of the training as a result of the fulfillment of the performance obligation.

**IT Solutions Integration Services**

The IT solutions provided by the Group include: general consultancy services, IT assessment services, implementation and migration services, maintenance and support services, infrastructure optimization services. The integrator business involves offering solutions and services starting with the initial analysis, design, implementation and testing phase that results in turnkey projects for companies with different IT needs.

In general, the revenues are recognized at a specific time, upon completion of the implementation as a result of the fulfillment of the execution obligation.

**Revenue from sale of goods and licenses**

Revenues from the sale of goods and licenses are recognized when the customer acquires control over the transferred assets.

**Income from a geographical perspective**

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

**Essential reasoning**

The Group has analyzed in the light of the provisions of IFRS 15 whether it acts in its own name („Principal”) in relation to the customers, namely whether it controls the promised goods and services before transferring the good or service to a customer.

Analyzing the merchandise sales contracts (hardware equipment and software licenses), Bittnet Group considers that it has obligations in its own name, and therefore acts as „Principal” and not as an intermediary („Agent”). To reach this conclusion, the Group analyzed the ordering and delivery processes of the equipment and licenses, the moment of transfer of rights by the supplier to the Group and from the Group to the customer, and the occurrence of the risks associated with the control.

Thus, even if the IT equipment or software licenses sold by the Group are produced by other entities, the group's promise to its customers is not to produce those goods, but to deliver them (and often to perform additional activities such as installation, customization, combination, activation, configuration, optimization and maintenance during operation). These are separate services, independently accounted for, but there are obligations that show the Group's control over the products in the delivery flow. Regarding the delivery to the customer, this is performed by the Group – which takes actual possession of the goods (including the software activation keys) and transmits them to the final customer, along with the specific internal activation processes in the intended portals (processes performed by the Group team).

The Group sells the rights over the goods produced by the producers in combination with its own value-added services. These services are „advisory” and "know-how” type ensuring that the solutions sold to the customers meet their requirements and needs. These services are an integral part of the obligations assumed in front of customers, because these services do not offer a separate value to customers, and are not invoiced separately. In conclusion, the Group makes customers a promise to deliver the goods, takes possession and control of them and sets the sale prices, in negotiation processes. The group is free to set prices with customers, even if they have negotiated directly with the producer of the goods certain contracts. Thus, the Group may grant additional discounts, or may request an increase in the price to reflect currency risks, delivery speed, risk of non-collection from the customer, etc. In other words, in the eyes of the customers, the Group is the supplier of the goods, even if they are produced by the producers, the Group being fully responsible for the good delivery of the agreed projects.

**NOTE 8. SALES COST**

The sales costs for the financial years 2019-2020 are presented in the following table:

	<u>2020</u>	<u>2019</u>
		corectat
Selling cost of the goods IT solutions integration	31,397,272	22,216,161
Resold licenses	36,917,416	41,864,211
Other direct materials	878,855	967,339
Cloud services	5,178,219	1,863,093
Personnel expenses	2,779,496	3,239,104
Expenses with collaborators	3,520,004	2,276,015
Third-party services	7,054,104	9,140,345
<b>Total</b>	<u><b>87,725,366</b></u>	<u><b>81,566,268</b></u>

**NOTE 9. SALES EXPENSES**

The sales expenses for the financial years 2019-2020 are presented in the following table:

	<u>2020</u>	<u>2019</u>
		corectat
Personnel expenses	2,311,008	2,128,443
Expenses with collaborators	3,842,012	3,999,618
Commissions and fees	216,072	192,720
Advertising	1,139,895	950,415
<b>Total</b>	<u><b>7,508,988</b></u>	<u><b>7,271,196</b></u>



**NOTE 10. GENERAL AND ADMINISTRATIVE EXPENSES**

The administrative expenses for the financial years 2019-2020 are detailed in the following table:

	<u>2020</u>	<u>2019</u>
		corectat
Materials	154,602	304,749
Personnel expenses	2,750,240	1,838,212
Expenses with collaborators	3,396,597	4,030,668
Depreciation	1,993,939	1,902,737
Headquarters rent	28,431	15,674
Rental of equipment and machines	128,650	617,807
Travel and transportation	64,635	111,010
Insurance	163,137	149,496
Postal and telecommunications	124,928	134,978
Donations	43,323	42,732
Receivables adjustments	(262,885)	84,551
Bank commissions	74,179	117,643
Other third party services	957,998	1,119,516
Miscellaneous	435,579	811,560
<b>Total</b>	<u><b>10,053,352</b></u>	<u><b>11,281,333</b></u>

**NOTE 11. EXPENSES BY NATURE**

The classification of total operational expenses, by nature, for the financial years 2019-2020 is detailed in the following table:

	<u>2020</u>	<u>2019</u>
Materials and merchandise	32,430,729	23,488,249
Resold licenses	36,917,416	41,864,211
Personnel expenses	7,840,744	7,205,759
Expenses with collaborators	10,758,613	10,306,301
Depreciation	1,993,939	1,902,737
Cloud services	5,178,219	1,863,093
Rentals	157,081	633,482
Commissions and fees	216,072	192,720
Advertising	1,139,895	950,415
Travel and transportation	64,635	111,010
Insurance	163,137	149,496
Postal and telecommunications	124,928	134,978
Donations	43,323	42,732
Receivables adjustments	(262,885)	84,551
Bank commissions	74,179	117,643
Third-party services	8,012,101	10,259,861
Miscellaneous	435,579	811,560
<b>Total operating expenses</b>	<u><b>105,287,705</b></u>	<u><b>100,118,796</b></u>

**NOTE 12. FINANCIAL EXPENSES**

Details of revenues and expenses for the financial years 2019-2020 are presented in the following table:

	<u>2020</u>	<u>2019</u>
		corectat
Bank interest	597,233	774,691
Factoring costs	15,869	64,455
Interest on issued bonds	2,749,105	2,915,158
Leasing interest	356,321	292,428
Net income/expenses exchange rate differences	301,061	238,544
<b>Total</b>	<b><u>4,019,587</u></b>	<b><u>4,285,276</u></b>

**NOTE 13. INCOME TAX**

Details regarding the current and deferred tax profit for the financial years 2019-2020 are presented in the following table:

	<u>2020</u>	<u>2019</u>
		corectat
Current profit tax	166,201	212,343
Deferred tax	260,381	(939,433)
<b>Total income tax</b>	<b><u>426,582</u></b>	<b><u>(727,090)</u></b>
Micro-enterprise tax	32,629	47,309
<b>Total tax</b>	<b><u>459,211</u></b>	<b><u>(679,781)</u></b>

**Income tax reconciliation**

	<u>2020</u>	<u>2019</u>
		corectat
<b>GROSS INCOME</b>	<b>1,283,082</b>	<b>(5,446,656)</b>
Legal reserve	(89,829)	(86,027)
Non-taxable income	(839,859)	(218,433)
Non-deductible expenses	2,552,400	1,473,874
<b>TAXABLE INCOME</b>	<b><u>2,905,794</u></b>	<b><u>(4,277,242)</u></b>
Income tax (16%)	464,927	(684,359)
Sponsorship discount	(38,345)	(42,731)
<b>Total income tax</b>	<b><u>426,582</u></b>	<b><u>(727,090)</u></b>

**Deferred tax**

Payable and recoverable deferred taxes are valued at the effective 16% tax rate. Payable and recoverable deferred taxes as well as deferred tax expense/(income) recognized in the statement of comprehensive income are attributable to the following items: recognition in the consolidated financial statements of the gain from the valuation of securities put into equivalence, temporary differences in the fiscal recognition of some costs (interest), reprocessing in connection with the application of IFRS 16 (leasing).

**NOTE 14. GOODWILL**

Details on goodwill are presented in the following table:

	<u>31 dec 2020</u>	<u>31 dec 2019</u>
Positive goodwill - DENDRIO	2,536,315	2,536,315
Positive goodwill ELIAN	348,385	348,385
Positive goodwill - CRESCENDO	14,816,943	14,816,943
Positive goodwill - EQUATORIAL	3,381,334	-
<b>Total</b>	<b><u>21,082,977</u></b>	<b><u>17,701,643</u></b>

**Goodwill calculation:**

	<u>DENDRIO</u>	<u>ELIAN</u>	<u>CRESCENDO</u>	<u>EQG</u>
Purchase cost	2,266,254	510,000	16,350,000	4,430,955
Net assets at fair value	(270,061)	316,768	1,533,057	1,060,330
% ownership	100%	51.02%	100%	98.99%
<b>Goodwill</b>	<b><u>2,536,315</u></b>	<b><u>348,385</u></b>	<b><u>14,816,943</u></b>	<b><u>3,381,334</u></b>

**Goodwill recognition**

For the Gecad acquisition (currently Dendrio), the Management analyzed the "ongoing" contracts at the time of acquisition, meaning that they were signed before September 2017. Taking into account the business typology that both Bittnet and Gecad carry out in the area of activity "IT Integration", the Management appreciated that there are no identified contracts that could have been included in the asset category and generate a significant change in the financial position. In this analysis, we considered the existence of multi-annual contracts, which were about to generate revenues in the financial years 2018 and 2019, but whose gross margin wasn't significant, being rather marketing channels through which the Dendrio team maintains the relationship with customers, or by which it ensures Microsoft partner status. At the same time, the management considered that in both Dendrio and Bittnet cases, the most important part of the business is the ability to generate new projects, to be near the customers when they need them, and the ability to learn new technologies before customers, in order to provide value to the customers by installation, implementation, maintenance.

At the end of 2018, Dendrio took over the IT&C integration activity from Crescendo International, a company with 25 years of experience in Romania and foreign markets. For the business transfer from Crescendo International, Dendrio Solutions paid to Crescendo International the amount of RON 10.9 million and undertook to pay a difference in ratio with the "adjusted average EBITDA achieved by the IT&C integration activity prior to its transfer to the Beneficiary", if the top management team ensures the retention of human resources and commercial relations with the existing clients and key suppliers related to the transferred activity, in order to preserve the value of the IT&C integration activity taken over from Crescendo International SRL.

The value of the IT&C integration activity transferred from Crescendo International SRL consists mainly of the related human resources, which also includes a significant component of technical and commercial expertise and experience, and of the commercial relations with the main customers and suppliers, often based even on the relations with the people in the team who served them.

Based on the final financial results of 31.12.2019, the value of the additional remuneration was 1 X EBITDA adjusted average achieved by the IT&C integration activity before its transfer to the Beneficiary, namely RON 5.45 million.

Consequently, the goodwill for this transaction increased from 9.37 million RON to 14.82 million RON.

In August 2020, Bittnet has exercised the option to convert the 1.050.000 loan extended to EQG in 2018- in exchange for 20,1% of its capital. Also in August 2020, Equatorial shareholders have approved the capital increase with the in-kind contributions from Daniel Berteanu, representing the value of the Equatorial brand. With these two operations, Bittne held 38,62% of EQGs share capital.

In November 2020, Bittnet shareholders have approved buying 60,3665% of the shares of EQG for 2.546.000 lei, to be settled partially in cash and partially in BNET shares. The BoD had been mandated to set the percentage between the two options. Following this new operation, Bittnet now holds 98,99% of EQG shares.

Goodwill has been tested for impairment at the end of the financial year.

#### **NOTE 15. OTHER INTANGIBLE ASSETS**

Intangible assets include mainly the Bittnet Brand and software licenses.

	Brands	Licenses and other intangible assets	Total other intangible assets
<b>Net value</b>			
<b>On 31.12.2018</b>	<b>5,786,000</b>	<b>313,112</b>	<b>6,099,112</b>
Inputs	-	423,805	<b>423,805</b>
Depreciation	-	(97,192)	<b>(97,192)</b>
<b>On 31.12.2019</b>	<b>5,786,000</b>	<b>639,725</b>	<b>6,425,725</b>
Inputs	650,000	1,978,371	<b>2,628,371</b>
Depreciation	-	(233,137)	<b>(233,137)</b>
<b>On 31.12.2020</b>	<b>6,436,000</b>	<b>2,384,959</b>	<b>8,820,959</b>

**Essential Reasonings - Bittnet Brand (Recognition, Evaluation, Registration)*****Bittnet Brand***

The Bittnet brand was purchased at the end of 2018 from the former owner, at a price equivalent to the value evaluated by an independent evaluator. The assessment was carried out by the cash flow method (DCF), having as reference a royalty of 5% of the turnover from the training activity, according to the previous licensing contract, the rate that is comparable to the market conditions.

Management has taken into account the fact that the Bittnet Mark is separable, i.e. it may be separated or divided by the entity and sold, transferred, authorized, rented or exchanged, either individually or together with a corresponding contract, asset or liability, and at the same time it has entered the Group's patrimony from contractual or other legal rights, regardless if those rights are transferable or separable from the entity or from other rights and obligations.

The Group controls the Bittnet Brand with the ability to derive future economic benefits from the underlying resource and to restrict others' access to those benefits. The ability to control future economic benefits derives effectively from the legal rights whose application can be upheld in court - according to Copyright Law 8.

***Debt remission transaction registration***

The debt resulted from the trademark acquisition was remitted to the founders of the company, Mihai and Cristian Logofatu (as sole director and financial director, respectively), subsequently paid by transferring some assets from the founders' personal patrimony to the seller of the trademark.

The management analyzed the debt remittance transaction and concluded that it represents an income and not a capital operation. The transaction was made with the founders of Bittnet Systems as managers, considering the founders' commitment to minority shareholders to bear in their own name the cost for acquiring the brand, thus correcting the error in the past of not being diligent enough to register the brand at State Office for Inventions and Trademarks. The income resulted from debt remittance amounting to 5,786,000 was recognized in the financial year 2018 in the Statement of comprehensive result on the line "Other income".

***„Equatorial“ brand***

The „Equatorial“ brand has been contributed in kind to the share capital of the EQG company by Daniel Berteanu in August 2020, at a value assessed by an independent evaluator. The valuation has been done using the DCF method based on royalties of 4% of revenues – comparable to market rates.

The management has considered that the brand is severable, can be sold or otherwise transferred, changed, rented either together with a corresponding contract, assets or liability.

The group controls the Equatorial brand, having the ability to extract future economic benefits, and being able to restrict others from using it. These capabilities stem from legal rights that can be upheld in a court of law (according to Romanian Law number 8 – IP rights).

**Essential reasonings – undetermined (infinite) lifetime**

The brands have been acquired in a business combination and are the only ones allocated to the business. An undetermined useful life has been determined for the brand, since there is no intention to abandon this name. The group has the capability to maintain the brands value for an undetermined period. Thus, the

brand is not amortized, but annually tested for impairment. Given the fact that brands do not generate cash inflows, they are allocated to the groups CGUs for the impairment testing (as assets of the business).

**NOTE 16. HOLDINGS OF ASSETS AND SECURITIES****a) EQUITY METHOD****Equatorial**

The investment in Equatorial Gaming (25%) was accounted for until December 2020 using the EQUITY method from the date when it became an associate, namely in August 2018.

When investment was purchased, the difference between the investment cost and the entity's share of the net fair value of the identifiable assets and liabilities of the company (goodwill) is included in the net book value of the investment. For applying the equivalent method were used the financial information available on August 31, 2018. The share of the profit achieved for the period remaining until December 31, 2020 was recorded in the statement of comprehensive result.

EQUATORIAL GAMING has been consolidated starting with december 2020.

**Softbinator**

In December 2020, Bittnet has acquired a 25% stake in Softbinator Technologies, our first investment in a software development company. There have been no revenues/costs recongnized through the equity method for this transaction.

**b) FAIR VALUE****Safetech Innovations**

In October 2020, the Company's management invested in the private investment organized in order to increase the share capital of the cybersecurity company Safetech Innovations SA. The investment was made within the mandate of the executive management according to the Articles of Incorporation. In the placement, Bittnet subscribed the maximum amount possible, namely RON 2,500,000 for all 625,000 Safetech shares offered (20% of the share capital). Bittnet's intention was to make a significant investment by entering Safetech's shareholding in a percentage relevant to Bittnet and to treat the investment the same as the others in the Group.

Following the oversubscription of Safetech's offer almost 9 times, Bittnet was informed by the Broker (SSIF Tradeville) that a number of 72,895 SAFE shares were allocated to it, representing 2.332% of Safetech's share capital, which brought the value of Bittnet's investment to 291,580.00 RON.

In January 2021, Safetech shares entered for trading on the AeRO-SMT market under THE SAFE trading symbol, at a price approximately 400% higher than the price of the private placement. Thereby, the value of Bittnet's investment was worth 1.5 million RON from the first trading hour.

In order to reassess the investment in SAFE, Bittnet's management has calculated and analyzed several market multiples, commonly used for the evaluation of listed IT companies (EV/Sales, P/Sales, EV/EBITDA, P/E, P/BV), both for Safetech as well as for the other companies listed in the IT area (other than BNET), i.e. Life is Hard, Ascension and 2Performance, and also for other IT companies listed on foreign capital markets.

In all scenarios and from the perspective of market multiples for listed technology companies, both on the Romanian capital market and on other financial markets, in terms of valuation multiples Safetech's share

appeared undervalued in relation to the initial subscription price. The company chose the model with the highest degree of prudence, going to the bottom edge of the analysis interval, which led to the revaluation of the investment in Safetech Innovations at RON 1,457,900 as of 31.12.2020.

## NOTE 17. TANGIBLE ASSETS

Tangible assets mainly include office space layouts and equipment necessary for operational activities. Movements within tangible assets are presented in the table below.

	Leased spaces and fittings	Technical installations and machinery	Other installations, machinery and furniture	Total non- current assets
<b>Cost</b>				
<b>On 31 December 2018</b>	<b>483,948</b>	<b>1,521,928</b>	<b>695,337</b>	<b>2,701,212</b>
Leasing reclassifications	4,213,706	1,743,238	-	5,956,944
Inputs	408,008	130,783	48,962	587,754
Transfer	-	(368,094)	-	(368,094)
<b>On 31 December 2019</b>	<b>5,105,662</b>	<b>3,027,855</b>	<b>744,299</b>	<b>8,877,816</b>
Leasing inputs		64,683	130,691	195,373
Inputs	56,658	39,105	7,160	102,923
Surrender/Transfer	(42,834)	(178,203)	(529,127)	(750,164)
<b>On 31 December 2020</b>	<b>5,119,486</b>	<b>2,953,440</b>	<b>353,023</b>	<b>8,425,948</b>
<b>Depreciation</b>				
<b>On 31 December 2018</b>	<b>82,281</b>	<b>240,402</b>	<b>374,711</b>	<b>697,395</b>
Cost of the period	882,049	892,165	31,731	1,805,945
Surrender/Transfer	-	(368,094)	-	(368,094)
<b>On 31 December 2019</b>	<b>964,330</b>	<b>764,474</b>	<b>406,442</b>	<b>2,135,246</b>
Cost of the period	874,627	936,810	52,921	1,864,359
Surrender/Transfer	(15,782)	(174,771)	(458,431)	(648,984)
<b>On 31 December 2020</b>	<b>1,823,175</b>	<b>1,158,420</b>	<b>932</b>	<b>2,982,527</b>
<b>Net value</b>				
<b>On 31 December 2020</b>	<b>3,296,310</b>	<b>1,795,020</b>	<b>352,091</b>	<b>5,443,421</b>
<b>On 31 December 2019</b>	<b>4,141,331</b>	<b>2,263,381</b>	<b>337,857</b>	<b>6,742,570</b>
<b>On 31 December 2018</b>	<b>401,666</b>	<b>1,281,526</b>	<b>320,626</b>	<b>2,003,818</b>

No mortgages or guarantees were established regarding the tangible assets held.

## NOTE 18. INVENTORIES

Details of stocks are presented in the following table:

	31 dec 2020	31 dec 2019
Materials	141,827	170,706
Goods	1,015,225	2,396,499
<b>Total</b>	<b>1,157,052</b>	<b>2,567,205</b>

**NOTE 19. TRADE RECEIVABLES AND OTHER RECEIVABLES**

Trade receivables and other receivables are presented in the following table:

	<u>31 dec 2020</u>	<u>31 dec 2019</u>
Customer receivables	27,878,328	30,505,476
Adjustments for customer receivables	(163,918)	(1,097,569)
Contractual assets	1,073,832	869,337
Related party loans (Note 26)	-	1,050,000
Subsidies	32,126	14,881
Warranties	7,483	57,049
Other receivables	328,793	1,081,692
<b>Total</b>	<b>29,156,645</b>	<b>32,480,865</b>
Advances to suppliers	355,134	310,950
Prepaid expenses	473,450	470,691
Receivables from the state budget	352,966	94,283
<b>Total, of which:</b>	<b>30,338,195</b>	<b>33,356,789</b>
Non-current assets	7,483	1,056,588
Current assets	30,330,712	32,300,201

Statement of net receivables by age:

	<u>31 dec 2020</u>	<u>31 dec 2019</u>
Not due	24,630,115	25,424,930
0-30	1,210,189	1,483,827
31-90	926,676	1,346,434
91-360	879,976	1,123,771
over 360	67,454	28,945
<b>Total</b>	<b>27,714,409</b>	<b>29,407,907</b>

Reconciliation of customer receivables adjustments:

	<u>2020</u>	<u>2019</u>
<b>1 January</b>	<b>1,097,569</b>	<b>1,027,840</b>
Adjustments during the period	-	69,729
Adjustments to subsidiary/take-over acquisitions	(670,766)	-
Resume adjustments	(262,885)	-
<b>31 December</b>	<b>163,918</b>	<b>1,097,569</b>



### Significant estimates

Impairment adjustments for trade and other receivables are recognized on the basis of the simplified approach in IFRS 9. In this process, the probability of non-payment of trade receivables is assessed, based on historical experience regarding the non-payment risk. The experience of the previous years has shown that the risk of non-collection is low, with no significant losses in recent years. However, the management estimated and recorded adjustments to the balance of receivables not collected at the end of the year, as follows: Bittnet Systems receivables – 3% and Dendrio receivables – 1.3%. At the end of 2020, management has revised these estimations based on the previous 2 years actual figures, thus registering adjustments to these new values: Bittnet receivables– 1% and Dendrio receivables – 0.5%.

### NOTE 20. CASH and CASH EQUIVALENTS

Details on cash and cash equivalents are presented in the following table:

	<u>31 dec 2020</u>	<u>31 dec 2019</u>
Bank in RON	13,091,134	14,163,756
Bank in RON - collateral cash	2,457,955	1,112,007
Bank in foreign currency	9,311,247	5,535,764
Cash in Cash Register	12,319	12,590
<b>Total</b>	<u><b>24,872,655</b></u>	<u><b>20,824,117</b></u>

Collateral cash deposits represent restricted cash – guarantee in connection with loans contracted with Procredit Bank.

**NOTE 21. CAPITAL AND RESERVES**

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

	<u>31 dec 2020</u>	<u>31 dec 2019</u>
Share capital	26,443,139	11,620,321
Issue premiums	25,409,965	-
Other equity items	(19,893,997)	352,151
Legal reserves	468,943	1,118,923
Retained earnings	(5,932,105)	1,708,978
Current comprehensive result	895,127	(2,753,499)
<b>Total</b>	<u><b>27,391,072</b></u>	<u><b>12,046,873</b></u>

**a) Share capital**

The share capital of the parent company Bittnet Systems includes only ordinary shares with a nominal value of 0.1 RON /share.

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

Shareholders and % owned	<u>31 dec 2020</u>	<u>31 dec 2019</u>
Mihai Logofatu	13.35%	15.03%
Cristian Logofatu	12.15%	14.02%
Others	74.50%	59.90%
<b>Total</b>	<u><b>100%</b></u>	<u><b>100%</b></u>

*Share capital increase via new cash contributions February – April 2020*

Shareholders have approved in april 2019 a capital increase via an SPO – selling 11.046.641 common shares. The offering has taken place in Q1 2020, and has had 3 stages: rights trading period, rights holders subscription period and a secondary private placement after the subscription period.

In the public offering – between march 5th and april 2nd–5.046.928 new shares had been subscribed, (45,69% of the total) , for 0,83 lei per share. In the second Stage (private placement) , the remaining 5.999.713 shares have been offered for 0,831 lei per share, to 51 investors. In total, the entire number of 11.046.641 shares has been subscribed, the company raising RON 9.174.711,74 .

*Share capital increase via incorporation of reserves*

The share capital was increased by incorporating reserves and share premiums according to AGEA Hot No. 2 of April 2020 and free shares were distributed: 7 new shares every 10 shares held on the registration date. The operation was completed in July 2020.

In addition, Bittnet Systems' share capital was increased by issuing 11 million shares free of charge for the benefit of the shareholders from the registration date (1 free share to 10 held shares), according to the Decision No. 3 of April 2020 of the Extraordinary General Meeting of Shareholders. Shareholders could choose online to leave these new shares at the disposal of the Company to be used in the incentive programs for key persons, approved by the General Meeting of the Shareholders, in this case to collect a cash distribution equal to the nominal value of the new share. As a result of this operation, the Central Depository has loaded in the company's account a number of 9 million shares (registered as treasury shares), and in the accounts of the shareholders who have not opted for cash distribution - 2 million shares, according to their option.

*Share capital increase by debt-to-equity conversion*

Based on the mandate conferred by the Decisions no. 4 and no. 5 of the Extraordinary General Meeting of Shareholders of 26 November 2020, the Board of Directors signed two contracts for share sale – purchase of participations in Equatorial Gaming and Softbinator Technologies respectively, and established the settlement share between cash and BNET shares for each of the 2 transactions. The total amount of the Issuer's investments in the two companies is RON 11,073,500, and the Board of Directors decided to pay the amount of RON 4,423,500 in cash and RON 6,650,000 in BNET shares. As a result of these operations, Bittnet Systems holds a share of 98.99% in Equatorial Gaming and 25% in Softbinator.

In December 2020, the Board of Directors of the Issuer decided to increase the share capital based on the mandate established by the General Meeting of Shareholders and the provisions of the Articles of Incorporation by the amount of RON 6,650,000 in the account of the receivable held over the company by the associates/shareholders of the two companies Equatorial Gaming and Softbinator Technologies.

Within this capital increase operation, the shareholders of the two companies will be allocated shares within the Issuer as follows:

- Daniel Berceanu - co-founder of Equatorial Gaming - 2,717,647 BNET shares
- Diana Rosetka - co-founder of Equatorial Gaming - 736,722 BNET shares
- Daniel Ilinca - founder Softbinator - 5,784,061 BNET shares
- Andrei Pitis - shareholder Softbinator - 1,446,015 BNET shares

Following the issuance of the 10,684,445 BNET shares, the share capital increased by the amount of RON 1,068,444.50, and the equity increased by the amount of RON 5,581,555.50 - premiums on capital (the difference between the value of the receivable and the value with which the share capital is increased). The value of 6.65 million RON, the receivable held by the sellers on the Issuer, was certified by the extrajudicial accounting expertise report dated 17 December 2020.

The number of newly issued shares was determined in accordance with the provisions of art. 210(2) of Law 31/1990 and art. 87-88 of Law 24/2017 on issuers of financial instruments and market operations and art. 174 of Regulation No. 5/2018 on financial supervision authorities. Thus, the number of shares was established by dividing the receivable by the price of 0.6224 RON/share – the weighted average price of the NBET shares in the period 13 December 2019 – 16 December 2020. The capital increase is made by lifting the preferential right also based on the Decision of the Board of Directors No. 10 of 17 December 2020 and in accordance with the attributions delegated by the by Decisions No. 3 of 25 April 2018 and No. 1 of 17 December 2018 of the Extraordinary General Meeting of Shareholders, so that the newly issued shares can be allocated to the holders of the receivable (the shareholders of the acquired companies).

The settlement of the 2 transactions through a mix of BNET shares and cash was approved in the Extraordinary General Meeting of Shareholders of 26 November 2020, and the reasoning behind this model was to align the interests of the shareholders of the 2 companies in which Bittnet became a shareholder with the Bittnet shareholders. Thus, the shares issued as a result of the share capital increase by converting the certain, liquid and payable receivable will be recorded by the Central Depository in the global accounts of the 4 beneficiaries - proportional to the value of the certain liquid and payable receivable they hold over the Company.

At the time this note was drafted, the Trade Register issued the registration certificate for the entire value of the increased capital and the operation is being processed at the Financial Supervisory Authority, the Issuer submitting the related documentation for the issuance of a new registration certificate of the financial instruments for the total number of shares according to the increased capital.

**b) Issue premiums**

Issue premiums were established on the occasion of capital increases and can be used to increase the share capital.

**c) Legal reserve**

According to Law 31/1990, at least 5% of the profit for the formation of the reserve fund is taken each year, until it reaches at least a fifth of the share capital. Reserves representing tax facilities cannot be distributed with implications for the recalculation of corporate tax.

**d) Other equity items****Essential reasoning - SOPs recognition and evaluation**

The Group assessed from the perspective of IFRS 2 whether share-based payment transactions with employees (SOPs) are settled in cash or by issuing shares.

The Group settles the transactions by issuing to option holders a number of shares equivalent (at market price) to the financial value of the option. The capital increase is made by waiving the right of preference and based on the Administrator's Decision.

As a result, although in an intermediate stage the "debt" regarding the SOP settlement is assessed, the economic substance of the transaction is that they are settled in shares. As a result, the Group recognized SOP transactions as settled in shares, and recognized and valued the services received in the Statement of comprehensive income and the corresponding increase directly in equity.

**Significant estimates – SOP valuation**

Transactions with employees and other services (collaborators) providing similar services were measured at the fair value of the equity instruments provided, as it was usually not possible to reliably estimate the fair value of the services received.

The fair value measurement at the date of granting (according to IFRS 2) - the approval date by the Extraordinary General Meeting of Shareholders of each plan - was performed using the Black and Scholes model, using as values for the model:

- Spot price at the General Meeting of Shareholders date, i.e. average daily price adjusted for splits at t-1
- Strike price (on the reference date) according to each plan
- Daily price volatility, according to the analysis of the daily price of BNET shares, adjusted for splits
- risk free rate, i.e. ROBOR 12M valid on day t-1
- number of shares of the company from the granting date of the
- dilution percentage of Stock Option Plan

The value of each plan was recognized in costs over the duration of each plan.

#### **SOP 2016**

In February 2019, the company announced its decision to settle the Option Plan (SOP) by issuing 3,477,967 common, nominative, dematerialized shares with a value equal to a nominal value of 0.1 RON each, in the account of the claim held on the company by the holders of Options in accordance with the Key Persons Incentive Plan - Stock Option Plan approved by the Decision of the 6th Extraordinary General Meeting of Shareholders of 28 April 2016.

It was the first time in the history of the Romanian capital market that a Stock Option Plan of a listed company was achieved by increasing capital and not by redeeming market shares. As a result of this operation, Bittnet's share capital increased by the amount of RON 347,796.70, and its equity increased additionally by the amount of RON 3,584,392.30, issue premiums. According to SOP2016, 18 people received the right, but not the obligation, to buy Bittnet shares at a price per share equivalent to a company capitalization of RON 7,800,000. During 2018, all 18 people exercised this option.

On May 10, 2019, Bittnet received the certificate attesting to the registration of the share capital increase with 3,477,967 new shares issued as a result of the Stock Option Plan (POS) operation approved by Decision No. 6 of Extraordinary General Meeting of Shareholders of April 28, 2016. BNET Report - 1st Semester 2019 – Page 15 The date on which the newly issued shares were available for trading was May 13, 2019. As a result of the transaction, Bittnet's share capital increased to RON 5,523,320.50.

On June 27, 2019, Bittnet received the certificate attesting the registration of the share capital increase with 55,233,205 new shares, issued as a result of the General Meeting of Shareholders Decision of April 24, 2019. The registration date was set for July 8, 2019 and the payment date, meaning the date when the newly issued shares were available for trading, was July 9, 2019. As a result of the transaction, Bittnet's share capital increased to RON 11,046,641.00.

#### **SOP 2017**

In August 2019, the decision of the capital increase manager was taken by issuing a number of 5,736,796 common, nominative, dematerialized shares, with a value equal to the nominal value of RON 0.1 each, in the account of the receivable held over the company by the Options holders ("Key Persons") in accordance with the Plan for incentivizing key persons - Stock Option Plan approved by the shares, Decision No. 7 of the Extraordinary General Meeting of Shareholders of 26 April 2017 and the option contracts and addenda - hereinafter referred to as "SOP 2017" or "SOP".

The share capital is increased by the amount of RON 573,679.6, and the equity additionally increases by the amount of RON 3,502,314.18 - share premiums. According to SOP2017 a number of 12 persons received the

right, but not the obligation, to purchase shares from the Company at a price per share equivalent to a capitalization of the company as of 31 December 2016. During 10 May 2019 – 10 June 2019 (maturity of the option), the persons exercised the option, the Company having the option to redeem market shares or to operate a capital increase by which to issue for the option holders a number of shares equivalent (at market price) to the financial value of the option for the option holders.

The capital increase is made by lifting the preferential right also based on the Administrator's Decision No. 5703 of 7 August 2019 (attached to this current report) and in accordance with the attributions delegated by the Extraordinary General Meeting of Shareholders by Decisions No. 3 of 25 April 2018 and No. 1 of 17 December 2018, so that the newly issued shares can be allocated to the holders of the receivable (as a result of SOP2017).

### **SOP 2018**

By CA Decision No. 7/18/8/2020, the Company's Board of Directors decided to increase the share capital by issuing a number of 24,697,223 ordinary, nominative, dematerialized shares, with a value equal to the nominal value of RON 0.1 each, in the account of the debt held over the Company by the option holders ("Key Persons") in accordance with the Incentive Plan of the key persons – Stock Option Plan approved by the Decision No. 12 of the Extraordinary General Meeting of Shareholders of 25 April 2018 and the option contracts and subsequent addenda - hereinafter referred to as "SOP 2018" or "SOP".

The share capital thus increased by the amount of RON 2,469,722.30, and the equity increased additionally by the amount of RON 11,758,361.13 - share premiums. According to the incentivization 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 December 2017. Between 10 May 2020 and 10 June 2020 (the maturity of the option), the key persons exercised the option, the Company having the option to redeem market shares or to operate a capital increase so they can issue for the option holders a number of shares equivalent (at market price) to the financial value of the option for the option holders. The value of the option, which is constituted in the receivable over the Company, was certified by the extrajudicial accounting expertise report dated 17 August 2020.

The number of newly issued shares was determined in accordance with the provisions of art. 210(2) of Law 31/1990 and art. 87-88 of Law 24/2017 on issuers of financial instruments and market operations and art. 174 of Regulation No. 5/2018 on financial supervision authorities. Thus, the number of shares was established by dividing the receivable by the price of RON 0.5761/share – the weighted average price of BNET shares during August 14, 2019 – August 14, 2020.

The capital increase is made by lifting the preferential right also based on the Decision of the Board of Directors No. 7 of 18 August 2020 and in accordance with the attributions delegated by the the Extraordinary General Meeting of Shareholders by Decisions No. 3 of 25 April 2018 and No. 1 of 17 December 2018, so that the newly issued shares can be allocated to the holders of the receivable (as a result of SOP2018).

At the time this Note was drafted, the operation was about to be registered with the Financial Supervisory Authority. After having obtained the new certificate of registration of financial instruments (CIIF) from ASF, the Central Depository will be able to allocate the shares issued in the global accounts of the key persons.

### **SOP 2020A**

Shareholder meeting resolution number 3 in 29 January 2020 has approved:

- the inclusion in the SOP with an annual grant of 0.5% of each BoD member, except the Chairman of the Board,

- for which an annual grant of 0.75% will be awarded.

#### SOP 2020B

In the SGM of 29 April 2020, shareholders have approved (point number 5) a new SOP, with a duration of two years and a maximum grant of 5% of the shares of the Company.

#### NOTE 22. BONDS

Details of bond issues loans are presented in the following table:

	<u>31 dec 2020</u>	<u>31 dec 2019</u>
BNET22	4,451,616	4,428,511
BNET23	4,647,795	4,633,721
BNET23A	9,491,246	9,441,695
BNET23C	<u>9,766,667</u>	<u>9,691,667</u>
Accrued Interest	889,781	889,781
<b>Total, of which:</b>	<b><u>29,247,105</u></b>	<b><u>28,195,593</u></b>
Long-term part	28,357,324	28,195,593
Short-term part	<u>889,781</u>	<u>889,781</u>

The Group conducted in 2016, 2017, 2018 and 2019 offers of bonds with maturities in 2019, 2022 and 2023, obtaining from the capital market a 'committed' financing of over 30 million RON. (all issues are listed on BVB)

#### BNET19

On July 18, 2016 Bittnet informed the shareholders about the successful conduct between July 4-15, 2016 of an offer for sale by private placement of bonds, according to Decision No. 9 of the Extraordinary General Meeting of Shareholders of April 28, 2016. The intermediary who carried out the placement was BRK Financial Group. The bonds have a nominal value of 1,000 RON, a maturity of 3 years and an annual interest rate of 9%, payable quarterly. A total of 4,186 bonds were subscribed, raising the total amount attracted to the placement to RON 4,186,000. The subscriptions were made by 36 individuals and 4 legal entities. The attracted amounts are used to support the current activity of the company and to continue the accelerated development plans. The Company's bonds were admitted to trading later on the BVB bond market on September 28, 2016, under the BNET19 trading symbol.

In February 2019, the Group redeemed in advance the entire issue of NBET19 bonds, in accordance with the provisions of the presentation document. This operation was a premiere for the Romanian capital market.

#### BNET22

During August 28-September 8, 2017, Bittnet conducted another offer for the sale of bonds through private placement according to the Extraordinary General Meeting of Shareholders Decision No. 5 of April 26, 2017. 45,000 bonds with a nominal value of RON 100 each were subscribed, which brings the amount attracted

within the NBET22 issue to 4.5 million RON. Each bond bears a fixed interest rate of 9% p.a. and the repayment of the principal will be made in September 2022. Subscriptions were made by 19 retail investors. BNET22 bonds were admitted to trading on the Bucharest Stock Exchange Bonds-ATS market on November 21, 2017.

### **BNET23**

On July 4, 2018, Bittnet successfully completed the third private placement of corporate bonds in the history of the Company. Bittnet attracted an investment of 4.7 million RON in the private offer, which took place between June 26 and July 4. Most of the borrowed capital was used to acquire a 51% stake of Elian Solutions and 25% of Equatorial Gaming, and the rest is used as working capital.

NBET23 bonds have a nominal value of RON 100, a maturity of 5 years and an annual interest rate of 9%, payable quarterly. The placement was subscribed by 32 individuals, 1 legal entity and 3 open investment funds. Due to the increased interest, the offer was closed 9 days before the end of the subscription period, which was initially set for 13 July.

In accordance with the decision of the Extraordinary General Meeting of Shareholders of 25 April 2018, BNET23 bonds entered into trading in November 2018 on the AeRO ATS-Bonds market operated by the Bucharest Stock Exchange, under the BNET23 symbol.

### **BNET23A**

On December 27, 2018, Bittnet successfully closed the fourth private placement of corporate bonds and the second in 2018. Following the private placement of BNET23A, the Group obtained the amount of RON 9,703,700 from 20 investors individuals and one legal entity. Within the process, 21 transactions amounting to a total of 97,037 registered, dematerialized, corporate, non-convertible, unsecured bonds with a nominal value of 100 RON/bond were settled through BVB mechanisms (POFBX market).

BNET23A bonds have a maturity of 5 years, a fixed interest rate of 9% per year, payable semi-annually and the allocation date was 28 December 2018. The Group used the amounts attracted within the BNET23A issue to finance the IT&C business transfer from Crescendo International SRL and its integration into the Bittnet Group structure, as approved by the Extraordinary General Meeting of Shareholders on 17 December 2018 and the investment contract described in the Current Report 22/15.10.2018.

The NBET23A bond issue entered into trading on the ATS-Bond market of the Bucharest Stock Exchange on February 18, 2019.

### **BNET23C**

Between 14 and 18 January 2019, the company carried out a private investment by which it carried out the 5th bond issuance - BNET23C, by which it attracted subscriptions in the total amount of RON 10,000,000, which represents 100,000 bonds, the maximum value of the BNET23C issue, in accordance with the Decision of the Sole Administrator and the Tender Document and according to the Extraordinary General Meeting of Shareholders Decision of 25 April 2018. BNET23C bonds are nominative, dematerialized, corporate, non-convertible and unsecured. BNET23C bonds have a nominal value of RON 100, a maturity of 4 years, and a fixed interest of 9% per year, payable semi-annually. The syndicate of intermediation for sale consisted of S.S.I.F. Tradeville S.A. and S.S.I.F. Goldring S.A. The attracted investment is used to finance the working capital and current activity of the Bittnet Group. BNET23C bonds are tradable on the AeRO market starting with 17 April 2019.



**NOTE 23. BANK LOANS**

Details on bank loans are presented in the following table:

	<b>31 December 2020</b>	<b>31 December 2019</b>
ProCredit loans TL	7,227,824	1,168,104
ProCredit line 4.5 mill.	4,551,151	4,500,000
ProCredit O/D 2.79 mill.	-	2,700,000
Raiffeisen (IMM Invest)	375,472	
<b>Total, of which:</b>	<b>12,154,447</b>	<b>8,368,104</b>
Long-term part	4,570,517	4,807,687
Short-term part	7,583,930	3,560,417

**ProCredit Bank**

In December 2020, the company informed the shareholders about the signing of a bank loan agreement with ProCredit Bank to Dendrio Solutions (a company belonging to the Bittnet group). The total value of the facility is RON 5,000,000 and the destination of the loan is to finance the working capital and the current activity of Dendrio Solutions. The maturity of the product is 36 months and the interest rate is ROBOR<sub>3M</sub>+3% per year. The guarantee established for this lending product was: cash collateral deposit 10% of the value.

Also, in February 2020, Bittnet Systems transformed the loan product worth 2,790,000 contracted also with ProCredit Bank from revolving overdraft into a loan with monthly principal and interest reimbursements. The new maturity of the loan was set for a period of 36 months, and the interest rate remained unchanged, ROBOR<sub>3M</sub>+2.5%.

**ING Bank**

In November 2018, the Group concluded an overdraft revolving financing contract with ING Bank Amsterdam, Bucharest Branch worth 2,000,000 RON, with an interest rate of ROBOR<sub>1M</sub>+2.9% per year and a maturity of 1 year, with the possibility to extend it. The loan will be used to finance the working capital and current activity of Dendrio Solutions SRL. There were no shootings until December 31, 2018. The facility is available to Dendrio Solutions for financing working capital and current activity.

In October 2019, the Group extended the overdraft granted by ING Bank NV Amsterdam - Bucharest Branch for a period of 12 months and under the same conditions as the initial agreement.

In January 2020, the Group extended the credit facility for an additional period of 7 months.

**Banca Transilvania (BTRL)**

In December 2018, Bittnet contracted a credit cap banking product from Banca Transilvania for Dendrio Solutions SRL. The total value is RON 1,000,000, for a period of 15 months and allows quick access to the following facilities: corporate credit line; issuance ceiling for various types of non-cash GSB (bank guarantee letters, participation in tenders, letters for good execution, guarantee of payment to suppliers, refund of advance payment, etc.). Interest on this facility is composed of: ROBOR<sub>3M</sub>+3.8% and is calculated on the

amount actually used. The Group intends to use this banking product to no longer immobilize own cash for the issuance of SGBs and to unlock existing such guarantee instruments.

In November 2019, the Group signed a factoring agreement with Banca Transilvania for invoices discounting in the commercial relationship with a customer in the telecom industry. The contract has the following coordinates: Type of banking product: factoring cap without regression for the advance payment of receivables; Maximum financing cap: RON 3,000,000, Percentage coverage: 100% of the invoice value, Interest: 1.5%+ROBOR1M per year, calculated on the value of projects, Validity: 16 months with extension possibility

**Unicredit Bank**

In July 2019, Elian Solutions extended the revolving-overdraft facility in the amount of RON 224,000 contracted from Unicredit Bank: maturity facility: 6 months; Interest: ROBOR1M+6% p.a.; Guarantee structure: movable mortgage on current accounts opened with Unicredit Bank and general assignment of receivables.

**Raiffeisen Bank**

In luna august 2020, Equatorial Gaming a contractat o facilitate de credit de la Raiffeisen Bank prin programul guvernamental IMM Invest in valoare totala de 495.000 lei. Dobanda creditului este ROBOR3M+2,5% per an iar scadenta este la 36 luni.

**NOTE 24. LEASING**

The Group has concluded long-term operational leasing contracts for office premises until July 2024 and technical equipment with final terms in 2021-2023.

	<u>31 dec 2020</u>	<u>31 dec 2019</u>
Short-term part	1,401,465	1,325,649
Long-term part	<u>3,036,719</u>	<u>3,842,943</u>
<b>Total</b>	<b><u>4,438,185</u></b>	<b><u>5,168,592</u></b>

Reconciliation of leasing liabilities and usage rights recognized as a result of the application of IFRS 16 is presented in the following tables:

<b>Leasing liabilities</b>	<u>Spaces</u>	<u>Equipment</u>	<u>Cars</u>	<u>Total</u>
<b>On 1 January 2019</b>	4,213,706	1,297,617	642,041	6,153,365
Inputs	-	30,517	58,962	89,480
Interest and exchange rate differences	309,387	84,351	32,107	425,846
Leasing payments	<u>(823,094)</u>	<u>(371,843)</u>	<u>(305,162)</u>	<u>(1,500,098)</u>
<b>On 31 December 2019</b>	<b>3,700,000</b>	<b>1,040,643</b>	<b>427,950</b>	<b>5,168,592</b>
Inputs	-	210,127	191,995	402,121
Interest and exchange rate differences	233,787	169,165	72,635	475,587
Leasing payments	<u>(849,024)</u>	<u>(432,778)</u>	<u>(326,314)</u>	<u>(1,608,115)</u>
<b>On 31 December 2020</b>	<b><u>3,084,763</u></b>	<b><u>987,157</u></b>	<b><u>366,264</u></b>	<b><u>4,438,185</u></b>

<b>Rights of use</b>	<u>Offices</u>	<u>Equipment</u>	<u>Cars</u>	<u>Total</u>
<b>On 1 January 2020</b>	4,213,706	1,297,617	587,689	6,099,013
Inputs	-	30,116	82,069	112,185
Depreciation	<u>(754,694)</u>	<u>(323,978)</u>	<u>(237,718)</u>	<u>(1,316,389)</u>
<b>On 1 January 2020</b>	<b>3,459,012</b>	<b>1,003,756</b>	<b>432,040</b>	<b>4,894,808</b>
Inputs	-	210,127	191,995	402,121
Depreciation	<u>(754,694)</u>	<u>(345,707)</u>	<u>(243,813)</u>	<u>(1,344,213)</u>
<b>On 31 December 2020</b>	<b><u>2,704,319</u></b>	<b><u>871,188</u></b>	<b><u>427,571</u></b>	<b><u>4,003,078</u></b>

**NOTE 25. TRADE LIABILITIES AND OTHER LIABILITIES**

Trade and other liabilities are detailed in the following table:

	<u>31 dec 2020</u>	<u>31 dec 2019</u>
Suppliers	24,337,554	24,792,468
Employed debts	363,152	254,420
Other liabilities	307,748	5,967,052
<b>Total financial liabilities</b>	<b>25,008,454</b>	<b>31,013,941</b>
Advances to customers	371,401	113,150
VAT	1,577,553	2,844,412
Other budget liabilities	192,327	159,334
	<u>1,595,678</u>	<u>1,738,283</u>
<b>Total, of which:</b>	<b>28,745,411</b>	<b>34,130,836</b>
Long-term liabilities	-	-
Current liabilities	<u>28,745,411</u>	<u>34,130,836</u>

**NOTE 26. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES**

Details of balances and transactions with related parties are presented below.

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

	<u>2020</u>	<u>2019</u>
Management contracts	839,317	580,713
SOP Expenses	697,223	670,597
<b>Total</b>	<b><u>1,536,540</u></b>	<b><u>1,251,310</u></b>

On 31 december 2020 , liabilities according to management contracts are 52,093 LEI (31 decembrie 2019: zero)

<b>Receivables and loans</b>	<u>31 dec 2020</u>	<u>31 dec 2019</u>
Equatorial Gaming - loan	-	1,050,000
Equatorial Gaming - receivables		358,049
<b>Total</b>	<u></u>	<b><u>1,408,049</u></b>

The loan to Equatorial Gaming was granted for a period of 3 years, with an interest rate of 9% per year, the Group having the option to convert this loan into shares – equivalent to 20.1% of the share capital of Equatorial Gaming. Bittnet activated this option during August 2020, converting the loan into shares. As a result of this operation Bittnet increased its ownership in Equatorial to 44.9995% of the share capital.

**NOTE 27. CONTINGENT LIABILITIES****Protection of personal data**

In the course of its work, the Group collects, stores and uses data that is protected by personal data protection laws. Although the Group takes precautions to protect customer data, in line with legal privacy requirements, there may be data leaks in the future. In addition, the Group works with suppliers or third parties acting as trading partners who may not fully comply with the relevant contractual terms and all data protection obligations imposed on them.

Unanticipated IT issues, system deficiencies, unauthorized access to the Group's IT networks or other deficiencies may result in the inability to maintain and protect customer data in accordance with applicable regulations and requirements and may affect the quality of the Group's services, as well as compromise the confidentiality of its customer data or cause service disruptions, resulting in the imposition of fines and other penalties.

Also, with the entry into force of the General Data Protection Regulation (EU) 2016/679 (GDPR), on 25 May 2018, the Group is subject to its personal data processing requirements, whose non-compliance may entail several types of sanctions, including fines of up to 4% of the overall turnover or up to 20 million EUR (whichever is higher); in addition, if they have suffered damage, data subjects may obtain compensation covering the amount of such damage and their rights may also be represented by collective bodies.

**Risk associated with changing legislation and taxation in Romania**

Changes in the legal and fiscal regime in Romania may affect the economic activity of the Company. Changes related to the adjustments of the Romanian legislation with the regulations of the European Union may affect the legal environment of the Group's business and its financial results. The lack of stable rules, legislation and cumbersome procedures for obtaining administrative decisions may also restrict the future development of the Company. In order to minimize this risk, the Group regularly reviews changes to these regulations and their interpretations.

Considering that the legislation increasingly leaves to the discretion of the fiscal body the interpretation of the application of the tax rules, in conjunction with the lack of funds to the state budget and the attempt by any means to bring these funds, we consider this risk a major one for the company, because it cannot be addressed in any way in a real and constructive preventive manner. The Group considers that it has paid all its fees, taxes, penalties and penalty interest on time and in full, as far as appropriate. In Romania, the fiscal year remains open for verification for 5 years.

**Transfer price**

In accordance with the relevant tax legislation, the tax assessment of a transaction with affiliated parties is based on the market price concept related to that transaction and the arm's length principle. Based on this concept, transfer prices must be adjusted to reflect market prices that would have been established between entities between which there is no affiliation relationship and which act independently, based on „normal market conditions“.

The taxpayers conducting related party transactions are responsible to prepare transfer pricing documentation, which must be submitted at the request of the tax authorities during the tax inspection. Thus, it is likely that the transfer pricing checks will be carried out in the future by the tax authorities, in order to determine whether the respective prices comply with the "normal market conditions" principle and that the Romanian taxpayer's taxable base is not distorted.

**Disputes**

In the context of day-to-day operations, the Group is at risk of litigation, inter alia, as a result of changes and the legislation development. In addition, the Group may be affected by other contractual claims, complaints and disputes, including from counterparties with which has contractual relations, customers, competitors or regulatory authorities, as well as by any negative advertising it attracts. The Group management considers that these disputes will not have a significant impact on the Group's operations and financial position.

**Environmental aspects**

The implementation of environmental regulations in Romania is in the development phase and the application procedures are reconsidered by the authorities. Bittnet's professional activity has no impact on the environment. Acting in the field of 'services', our activity consists of acquiring knowledge and transferring it to customers, either during training courses or through consultancy, design and implementation services.

**NOTE 28. SIGNIFICANT ACCOUNTING POLICIES**

The main accounting policies adopted when drawing up the consolidated financial statements are presented below.

**a) Grounds for consolidation**

If the Group has control over an investee company, it is classified as a subsidiary. The group controls the investee company if all three of the following elements are present: it has control over the investee company, there is exposure to variable returns from the investee company and the investee company has the ability to use its power to affect those variable returns. Control is reviewed whenever facts and circumstances indicate that there may be a change in any control elements.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they were a single entity. Transactions between companies and balances between group companies are therefore eliminated in their entirety. The consolidated financial statements shall include the results of the acquisition business combination. In the statement of financial position, the purchaser's identifiable assets, liabilities and contingent liabilities are initially recognized at their fair values at the acquisition date. The results of the purchased transactions shall be included in the consolidated statement of comprehensive income as of the control acquisition date. Subsidiaries shall be deconsolidated from the date on which control ceases.

**b) Non-controlling interests**

Non-controlling interests are disclosed in the consolidated financial position statement, within equity, separately from the shareholders' equity of the Parent Company. Changes in a parent's shareholding in the equity of a subsidiary that do not result in the loss of control by the parent over the subsidiary are equity transactions (i.e. transactions with shareholders in their capacity as shareholders).

**c) Associated entities**

If the Group has the power to participate in (but not control) the financial and operational policy decisions of another entity, it is classified as an associate entity.

Associated entities are initially recognized in the statement of consolidated financial position at cost. Subsequently, the associates are accounted for using the equity method, in which the Group's share of post-acquisition profits and losses and other comprehensive income is recognized in the consolidated profit and loss statement and other comprehensive results (except for losses exceeding the Group's investments in the associate entity, unless there is an obligation to offset those losses).

Profits and losses arising from transactions between the Group and its associates are recognized only to the extent of the interests of unrelated investors within the associate. The investor's share in the associate's profits and losses arising from these transactions is eliminated in relation to the carrying amount of the associate.

Any surplus paid to an associate above the fair value of the group's participation in identifiable contingent assets, liabilities and liabilities shall be capitalized and included in the carrying amount of the associated entity. Where there is objective evidence that the investment in an associate is not recoverable, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

#### **d) Goodwill**

Goodwill represents the excess cost of a business combination over the Group's interest in the fair value of acquired and assets, liabilities and identifiable contingent liabilities.

The cost comprises the fair value of the assets given, liabilities assumed and capital instruments issued, plus the value of any minority shareholdings in the acquirer.

The contingent consideration shall be included in the cost at fair value at the acquisition date and, in the case of contingent consideration, classified as a financial liability, subsequently revalued at profit or loss.

Goodwill is capitalized as an intangible asset and any impairment of net asset value is recorded in the consolidated statement of comprehensive income.

Where the fair value of identifiable contingent assets, liabilities and liabilities exceeds the fair value of the paid consideration, the excess shall be credited in full to the consolidated statement of comprehensive income at the acquisition date.

#### **e) Revenue recognition**

The Group recognizes revenues so that they can reflect the obligations to be performed in relation to the transfer of promised goods or services to customers with an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

##### **Obligations to be fulfilled and revenue recognition methodology**

Most of the group's revenues come from the provision of IT services and training and integration, including the sale of goods, with revenues recognized at the time when control over the goods was transferred to the customer.

The performance obligations identified in Group's contracts are generally limited to the goods or services explicitly stipulated in that contract, without any tacit promises as a result of usual business practices, published policies or other specific statements.

##### **Determination of transaction price**

Most of the income of the group is obtained from fixed price contracts and therefore the income amount to be obtained from each contract is determined by reference to fixed prices. In the estimation of

contractual revenues, the component related to discounts granted to customers is deducted, when they are likely to decrease the value of the revenues.

**Allocation of amounts to be executed**

For most contracts, there is a fixed unit price for each product or service sold. Therefore, there are no reasoning applied in allocating the contract price for each product or service.

**Costs for obtaining contracts**

Most contracts are short-term, so any incremental commissions paid to sales personnel for the work performed to obtain the contracts are directly recognized in the comprehensive income statement, without being capitalized.

**f) Impairment of non-financial assets (excluding inventories, real estate investments and deferred taxes)**

Impairment tests on goodwill and other intangible assets with undetermined useful economic life shall be carried out annually at the end of the financial year. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount cannot be recovered. If the carrying amount of an asset exceeds its recoverable amount (i.e. higher value of use and fair value less selling costs), the asset is reduced accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is performed on the smallest group of assets to which it belongs, for which there are separately identifiable cash flows - its cash-generating units. Goodwill is allocated to the initial recognition of each of the Group's cash-generating units that are expected to benefit from a business combination giving rise to goodwill.

Impairment adjustments are included in profit or loss unless they represent reversals of gains previously recognized in other comprehensive income. A recognized impairment loss on goodwill is not reversed.

**g) Balances and transactions in foreign currency**

Transactions carried out by Group entities in other currency than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates at the time of the transactions. Monetary assets and liabilities in foreign currency are converted at the rates at the reporting date.

Exchange rate differences arising on the restatement of monetary assets and liabilities shall be recognized immediately in profit or loss.

**h) Financial assets**

The Group's accounting policy for the classification of financial assets is as follows.

***Amortized cost***

Loans and receivables are non-derivative financial assets with fixed or determinable payments and not listed on an active market. They are included in current assets, except those with a maturity of more than 12 months after the end of the reporting period. These are classified as non-current assets.

These assets come mainly from the provision of goods and services to customers (e.g. trade receivables), but also include other types of financial assets where the objective is to hold these assets to collect contractual cash flows and contractual cash flows are exclusively principal and interest payments. They are



initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently accounted for at amortized cost using the effective interest rate method, less adjustments for impairment.

Impairment adjustments for trade and other receivables are recognized on the basis of the simplified approach in IFRS 9, using an adjustment matrix in determining expected losses. The likelihood of non-payment of trade receivables is assessed in this process. This probability is then multiplied by the amount of expected loss resulting from non-payment to determine the expected credit loss for trade receivables. For trade receivables, these adjustments are recorded in a separate adjustment account, the loss being recognized within the general and administrative costs in the comprehensive income consolidated statement. Upon confirmation that the trade receivable cannot be collected, the gross carrying amount of the asset is written off against the associated adjustments.

Claims impairment adjustments with related parties and loans to related parties are recognized on the basis of an anticipated credit loss model. The methodology used to determine the amount of the adjustments is based on the existence of a significant increase in credit risk since the initial recognition of the financial asset.

For those for which the credit risk has not increased significantly since the initial recognition of the financial asset, credit losses expected for twelve months together with gross interest income are recognized. For those for which credit risk has increased significantly, estimated losses on receivables together with gross interest income are recognized. For those that are determined as obvious credit impairments, expected losses on receivables, together with interest income on a net basis, are recognized.

The Group's financial assets measured at amortized cost comprise trade receivables and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents include cash in hand, term deposits with banks, other extremely liquid short-term investments with initial maturities of three months or less, and - for the purpose of cash flow statement - bank overdrafts. Banking disclosures are presented in loans and loans in current liabilities in the consolidated statement of financial position.

### **Financial assets at fair value**

The Group holds financial assets, namely held for sale participation titles, that are recognized in the financial statement at fair value, with changes in fair value recognized in the consolidated statement of comprehensive income.

#### **i) Financial liabilities**

The Group's accounting policy for the classification of financial liabilities is as follows.

Bank loans and loans from the Group's reimbursable bond issue are initially recognized at fair value, net of any transaction costs directly attributable to the issuance of the instrument. Interest-bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense in the repayment period is at a constant rate on the balance of the liability recorded in the consolidated financial position statement.

Loans are classified as current liabilities unless the Group has an unconditional right to defer payment of the debt for a minimum of 12 months from the end of the reporting period.

For each financial liability, interest expenses shall include the initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable over time.

The Group does not hold derivative liabilities to be accounted for in the consolidated financial statement at fair value, with changes in fair value recognized in the consolidated statement of comprehensive income and has no trading obligations nor has it designated financial liabilities as at fair value through profit or loss.

#### **j) Share-based payments (SOP)**

The Group grants options for purchasing shares settled from equity to employees and collaborators.

The fair value of options at the date of granting shall be systematically recorded in the consolidated statement of comprehensive income for the period up to the exercise of the option. Non-market-based conditions of entry shall be taken into account by adjusting the number of equity instruments expected to be recorded at each reporting date so that ultimately the cumulative amount recognized in the vesting period is based on the number of options that may be paid. The conditions of non-qualification and the conditions of entry into rights are included in the fair value of the granted options. Cumulative expenditure shall not be adjusted for failure to fulfil a condition of entitlement or where a condition of non-qualification is not fulfilled.

#### **k) Leasing**

Starting with 1 January 2019, IFRS 16 replaced IAS 17 Leasing and related interpretations. The standard eliminated the accounting model for tenants and instead requires companies to bring most leases on the balance sheet within a single model, eliminating the distinction between operational and financial leasing.

In accordance with IFRS 16, a contract is or contains leasing if it conveys the right to control the use of an identified asset for a period of time in exchange for a mandatory payment. For such contracts, the new model requires a lessee to recognize a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the debt accrues interest. This will result in a model with higher payments at the beginning of the lease period of the expenses for most leases, even when the lessee pays constant annual rents.

The new standard introduces a number of exceptions to the scope for users which include:

- leases with a lease term of 12 months or less and which do not contain purchase options, and
- leases where the underlying asset has a low value ('low value' leasing transactions).

The Group has analyzed all leasing contracts for the rental of equipment and premises where operates.

#### ***Transition method and Practical Exceptions used***

The Group adopted IFRS 16 using the amended retrospective approach, recognizing transitional adjustments at the date of initial application (1 January 2019) without restating comparative figures. The Group has chosen to apply the practical exception not to reassess whether it is a contract or contains a lease at the date of initial application. Contracts concluded prior to the transition date that were not identified as leases under IAS 17 and IFRIC 4 have not been restated. The definition of a lease in accordance with IFRS 16 only applied to contracts concluded or amended on or after 1 January 2019.

IFRS 16 provides for certain optional practical exceptions, including those related to the initial adoption of the standard. The Group applied the following practical exceptions when applying IFRS 16 to leases previously classified as operating leases in accordance with IAS 17:

- (a) applied a single discount rate to a rental portfolio with reasonably similar characteristics;

(b) excluded initial direct costs from the valuation of right-of-use assets at the date of initial application, where the right of use of the asset was determined as if IFRS 16 had been applied from the commencement date;

(c) it was based on previous assessments regarding whether the leases are onerous compared to the preparation of an impairment review in accordance with IAS 36 at the date of the initial application; and

(d) applied the exemption of not recognizing the rights of use of the assets and liabilities for leases with less than 12 months of lease remaining at the date of the initial application.

As a user, the Group has previously classified leasing as operational or financial leasing based on its assessment of whether the leasing contract has transferred substantially all the risks and benefits of ownership. In accordance with IFRS 16, the Group recognizes leasing assets and liabilities by right for most of the leasing. However, the Group has chosen not to recognize leasing assets and liabilities for some low-value asset leases based on the new value of the underlying asset for short-term rental with a lease term of 12 months or less.

When adopting IFRS 16, the Group recognized the rights to use of the leasing assets and liabilities as follows:

Classified according to IAS 17	Rights of use	Leasing liabilities
Operational leasing	Assets from rights of use are measured at an amount equal to the leasing debt, adjusted by the value of any amounts paid in advance or pre-empted.	Measured at the current value of the remaining lease payments, discounted using the Incremental Loan Rate of the Company as of January 1, 2019.  The Incremental Loan Rate of the Company is the rate at which a loan could be obtained from an independent donor on comparable terms and conditions. The average rate applied was 5% p.a.
Financial leasing	Measured on the basis of accounting values for leasing assets and liabilities immediately before the date of initial application (carrying amounts, unadjusted).	

Following the application of the provisions of IFRS 16 during the current financial year, the Group actively recognized usage rights on January 1, 2019 amounting to RON 5,956,944, concomitantly with increasing total liabilities by the same amount. The difference up to the amount of RON 6,099,013 presented in Note 24 Leasing debts represents the non-depreciated value of the financial leasing assets.

#### **l) External purchased intangible assets**

Intangible assets acquired externally are recognized initially at cost and subsequently amortized linearly over the useful economic life: Licenses - 3-5 years, with the exception of brands, which are tested annually for impairment.

**m) Tangible assets**

Tangible assets comprise premises, equipment, machines furnishing and other assets used for the current activity. Tangible assets are initially recognized at acquisition cost.

The acquisition cost includes the directly attributable costs and the estimated present value of any unavoidable and future costs of dismantling and disposing those items. The corresponding obligation is recognized in the provisions.

The depreciation of other tangible assets shall be calculated on the basis of the linear method with a view to allocating their cost less the residual value, over their useful life, as follows: Premises - for the duration of the lease contract, Other fixed assets - 2-5 years.

**n) Inventories**

Inventories are recognized initially at cost and subsequently at the lowest cost and net realizable value. The cost comprises all acquisition costs, conversion costs and other costs incurred in bringing the inventories to their current location and condition. Specific identification is used to determine the cost of interchangeable items.

**o) Provisions**

Provisions are recognized when the Group has a legal or implicit obligation as a result of the previous events, when the settlement of the obligation requires a resource outflow incorporating economic benefits and for which a credible estimate of the value of the obligation can be made. Where there are a number of similar obligations, the likelihood that a resource outflow will be required for settlement is established following the assessment of the liability class as a whole. The provision is recognized even if the likelihood of a resource outflow related to any item included in any class of obligations is low. Where the Company expects repayment of a provision, for example through an insurance contract, repayment is recognized as a separate asset, but only when repayment is theoretically certain.

Provisions are valued at the present value of the expenses estimated to be necessary to settle the obligation, using a pre-tax rate reflecting current market assessments of the time value of the money and the risks specific to the obligation. The increase in the provision due to the time passing is recognized as interest expense.

**p) Employee benefits**

In the normal course of business, the Group makes payments to the Romanian State on behalf of its employees for health, pension and unemployment funds. All employees of the Company are members of the Romanian state pension plan, which is a fixed contribution plan. These costs are recognized in the profit and loss account with the recognition of salary expenses.

**q) Current and deferred profit tax**

Tax expense for the period includes current and deferred tax and is recognized in profit or loss, unless it is recognized in other comprehensive income or direct equity because it relates to transactions that are themselves recognized in the same period or in another period, in other comprehensive income or direct equity.

Current income tax expense is calculated based on the tax regulations in force at the end of the reporting period. The management periodically assesses the positions in the tax returns in relation to situations where

the applicable tax regulations are interpretable and constitute provisions, where applicable, based on the amounts estimated to be due to the tax authorities.

Deferred income tax is recognized, based on the method of the balance sheet obligation, for temporary differences between the tax bases of assets and liabilities and their accounting values in the financial statements. However, deferred income tax resulting from the initial recognition of an asset or liability in a transaction, other than a business combination, which at the transaction date does not affect the accounting profit or the taxable profit, is not recognized. Deferred corporate tax is determined on the basis of the tax rates (and legal regulations) in force until the end of the reporting period and are to be applied during the period in which the deferred tax to be recovered will be capitalized or the deferred tax will be paid.

Deferred tax to be recovered is recognized only to the extent that a taxable profit is likely to be derived in the future from which temporary differences are deducted.

### **IFRIC 23**

IFRIC 23 provides guidance on the accounting of current and deferred liabilities and taxes and assets under circumstances where there is uncertainty about corporate tax treatments. The interpretation provides as follows:

- It must be determined whether uncertain tax treatments should be considered separately, or together as a group, depending on the approach that provides better predictions about resolution;
- Determine whether tax authorities are likely to accept uncertain tax treatment; and
- If uncertain tax treatment is unlikely to be accepted, the tax uncertainty will be measured according to the most likely amount or expected value, depending on any method that better predicts the resolution of the uncertainty. The measurement should be based on the assumption that each of the tax authorities will examine the amounts they are entitled to examine and have full knowledge of all the information related to these examinations.

Following the application of the provisions of IFRIC 23, no impact on corporate tax liabilities was identified.

**NOTE 29. SUBSEQUENT EVENTS****I. Capital increase with new cash contributions January – March 2021**

Between January and March 2021, the tender period took place within the capital increase with new cash contributions approved by the Extraordinary General Meeting of the Shareholders Decision No. 4 of April 29, 2020. Thus, in Stage 1 - performed during January 27 and February 25, 2021 - 17,359,142 new shares (95.49% of the total) were subscribed at the price of RON 0.59 per share. The price in the offer (composed of the nominal value plus the issue premium) was established according to the Extraordinary General Meeting of the Shareholders Decision and the formula approved by it for the issue premium:  $[(average\ trading\ price\ last\ 30\ days) / 1,2] - 0,1$ .

The unsubscribed shares during the bidding period were offered for subscription within an adapted investment (Stage 2) that was closed early due to the high interest and the small number of shares (819,408 shares that remained unsubscribed after Stage 1). According to the law, the price from private placement was higher than the price of Stage 1, namely RON 0.60 per share.

Within the two stages of the capital increase operation were subscribed the 18,178,550 new shares, i.e. 100% of the issue, the Company raising a financing amounting to RON 10,733,538.58. Following the subscriptions of the 18,178,550 new shares, a number of allocation rights (symbol BNETR09) equal to the total number of subscribed shares were allocated in the accounts of the subscribers. Allocation rights entered into trading within the BVB Regulated Market starting with April 10, 2021 after receiving CIIF and registering them in FSA records as financial instruments.

Following this operation, the subscribed and paid-up share capital of the Company was increased by the amount of RON 1,817,855 (corresponding to the nominal value of the newly issued shares). The amount of rON 8,915,683.58 (resulting by reducing the amount of the share capital increase from the entire value of the attracted financing) was recorded as share premiums and will be available in the future as reserves. The intention of the Company is to include the share premiums in the share capital and to issue and allocate free shares in future capitalization operations.

Following the registration of new values of the increased share capital at ReCom, FSA issued the new registration certificates of the financial instruments, and the operation was completed by uploading the newly issued shares on 26 March 2021.

**II. Acquisition the E-Learning Company S.A.**

According to the mandate given by the General Meeting of the Shareholders in November 2020, Bittnet's management completed negotiations for the acquisition of 23% of the share capital of the E-Learning Company (ELC).

The total estimated value of the transaction is dimensioned at the amount of 1.75 million RON.

The payment to the E-Learning Company founders will be made in two stages, according to Decision No. 6 of the Extraordinary General Meeting of the Shareholders on Bittnet of November 2020, with a mixed cash and BNET shares:

- the first installment of RON 850,000 will be partially paid in cash (RON 450,000) and the rest of it will be compensated by issuing BNET shares and allocating them to the ELC founders. The amount of RON 450,000 was paid to the founding shareholders of E-Learning Company in Q1 2021.
- The second instalment will be calculated at the beginning of 2022 by subtracting from the transaction price the value of the first instalment.

The exact price of the transaction and the allocation between cash and compensation by BNET shares will be made depending on the fulfilment of certain profitability indicators that ELC aims to obtain for the financial year 2021. The number of shares for the compensation of each of the two instalments shall be determined in accordance with the provisions of art. 210(2) of Law 31/1990 and art. 87-88 of Law 24/2017 on issuers of financial instruments and market operations and art. 174 of FSA Regulation No. 5/2018. As a result of the investment contract, Bittnet has allocated a seat on the Board of Directors of E-Learning Company (ELC), a position that will be occupied by Ivylon Management SRL, represented by Cristian Logofatu. Bittnet decided to participate in ELC in order to reach certain limits of minimum profitability, for which, in the coming years, it will aim to obtain the distribution of dividends, so that Bittnet can achieve an earning yield of at least 18%, annualized provided that ELC achieves a degree of profitability at least equal to this percentage.

Following the entry of Bittnet Systems into the shareholdings the parties also signed a loan agreement whereby the Issuer made available to The E-Learning Company the amount of RON 240,000 to finance the working capital for a maximum period of 3 years and an interest rate of 10% per year. The E-Learning Company has a portfolio of diverse solutions and products structured in several directions covering areas such as personal and professional development, communication, sales and negotiation, marketing, human resources, project management, Microsoft Office, finance, English.

### III. Signing an investment agreement Servodata a.s.

Bittnet Systems informed investors about the signing of an M&A investment agreement with the shareholders of Servodata a.s. (a company active in the Czech IT&C industry). According to the investment plan, Bittnet will buy 35% of Servodata's share capital from Moore Czech Republic, for an estimated amount of 1.4 million EUR, which will be settled in BNET shares in a future share capital increase operation. The actual number of shares to be issued shall be determined in accordance with the provisions of art. 210(2) of Law 31/1990 and art. 87-88 of Law 24/2017 on issuers of financial instruments and market operations and art. 174 of FSA Regulation No. 5/2018.

This evaluation offers a multiple EV/EBITDA of 6.4x, which makes the payment with BNET shares advantageous for all parties involved, including the existing Bittnet shareholders. In addition, Bittnet will provide financing as loans (either directly or by offering guarantees) up to the amount of 2 million EUR over the next 3 years, based on Servodata's development projects. The transaction will be subject to approval at the General Meeting of Shareholders (both Bittnet and Servodata), and is subject to the successful completion of the due diligence process. For Bittnet, the transaction is on the Extraordinary General Meeting of the Shareholders' agenda of 27 April 2021.

In case of successful completion of the investment, Servodata's board of directors will consist of 5 members, 2 seats belonging to the shareholder Bittnet. According to the investment contract, Servodata will start distributing cash dividends in a proportion of maximum 30% of the annual profit starting with the following financial year.