

BITTNET SYSTEMS SA

**INTERIM CONSOLIDATED FINANCIAL
REPORT**

**Prepared in accordance with
Order of the Ministry of Public Finance
no. 2844/2016, as further amended,
for 3 months ending on 31 march 2021**

TABLE OF CONTENTS

TABLE OF CONTENTS	2
CONSOLIDATED SITUATION OF COMPREHENSIVE INCOME	3
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
CONSOLIDATED SITUATION OF CASH FLOW	5
CONSOLIDATED SITUATION OF CHANGES IN EQUITY	6
NOTA 1. GENERALE INFORMATION	8
NOTA 2. BASIS OF THE INTERIM REPORT	12
NOTA 3. SIGNIFICANT EVENTS AND TRANSACTIONS	13
NOTA 4. INFORMATION BY ACTIVITY SEGMENTS	14
NOTA 5. REVENUES FROM CUSTOMER CONTRACTS	15
NOTA 6. CLASSIFICATION OF EXPENSES BY THEIR NATURE	16
NOTA 7. EQUIVALENT SECURITIES	18
NOTA 8. CAPITAL AND RESERVES	20
NOTA 9. BANK LOANS	25
NOTA 10. INFORMATION REGARDING THE RELATION WITH RELATED PARTIES	25

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CONSOLIDATED SITUATION OF COMPREHENSIVE INCOME

	for 3 months period	
	31 Mar 2021	31 Mar 2020
		corrected
Revenues from contracts with customers	20,203,231	20,989,824
Sales Cost	(16,191,119)	(15,838,410)
Gross margin	4,012,112	5,151,413
Other incomes	103,757	99,133
Sales expenses	(2,057,505)	(1,779,025)
General and administrative expenses	(3,036,242)	(2,683,623)
Equity securities gain	185,773	(152,332)
Interest income	1.246.512	263,975
Financial expenses	(990,136)	(1,068,595)
Gross profit	(535,728)	(169,053)
Tax	32,110	(2,040)
Net Profit, of which:	(503,617)	(171,093)
related to the parent company	(495,327)	(203,165)
related to non-controlling interests	(8,290)	32,072
Net profit	(503,617)	(171,093)
Other elements of the overall result	-	-
Total Global result	(503,617)	(171,093)
related to the parent company	(495,327)	(203,165)
related to non-controlling interests	(8,290)	32,072

The interim consolidated financial report from page [1] to page [4] was approved and signed on 10 May 2021

Mihai Logofatu
CEO

Adrian Stanescu
CFO

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 March	31 December
	2.021	2020
ASSETS		
Fixed assets		
Goodwill	21.082.977	21.082.977
Other intangible assets	8.830.704	8.820.959
Tangible fixed assets	5.059.330	5.443.423
Equivalent securities	9.574.491	8.527.500
Other financial assets	7,275	7,483
Deferred tax	743,764	650,200
Total fixed assets	45.298.542	44.532.542
Current assets		
Stocks	1.714.193	1.157.052
Trade receivables and other receivables	19.814.996	30.330.712
Financial assets	1.604.048	1.459.700
Cash and cash equivalents	32.277.713	24.872.655
Total current assets	55.653.007	57.820.120
TOTAL ASSETS	100,709,492	102,352,662
EQUITY AND DEBTS		
Share capital	28,260,994	26,443,139
Issue premiums	34,325,649	25,409,965
Other equity items	(19,824,224)	(19,893,997)
Reserves	524,871	451,993
Reported result	(5,558,233)	(5,020,028)
Capital related to the parent company	37,699,057	27,391,073
Non-controlling interests	246,947	255,237
Total equity and reserves	37.946.003	27.646.310
Long-term debts		
Bonds	28.462.254	28.357.324
Bank loans	3.796.333	4.570.517
Leasing	2.858.843	3.036.719
Debts related to deferred profit tax	23,827	-
Total long-term debts	35.141.256	35.964.560
Current debts		
Bonds	442,804	889,781
Bank loans	7.656,924	7,583,930
Leasing	1,417,489	1,401,466
Profit tax liabilities	93,749	121,202
Commercial and other liabilities	18,011,267	28,745,411
Total current debts	27,622,233	38,741,791
Total debts	62,763,489	74,706,352
TOTAL EQUITY AND DEBTS	100,709,492	102,352,661

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	for 3 months period	
	31 March 2021	31 March 2020
Gross profit	(535,728)	(169,053)
Adjustments for:		
Depreciation expenses	710,462	500,877
Benefits granted to employees SOP	391,287	392,290
Adjustments for the depreciation of receivables	-	-
Interest expenses and other financial costs	990,136	1,008,875
Interest income and other financial income	(34,722)	(33,712)
Investment income	(1,211,791)	-
Equity securities gain	(185,773)	152,332
Operating profit before working capital change	123,872	1,851,610
Variation of receivables account balances	10,275,924	9,980,165
Variation of stock account balances	(557,142)	633,444
Variation of accounts payable balances	(11,145,363)	(18,079,332)
Cash generated from operation	(1,302,708)	(5,614,113)
Profit tax paid	(65,081)	(20,188)
Net cash from operating activities	(1,367,789)	(5,634,301)
Investment activities:		
Payments for the purchase of participation interests	(450,000)	-
Loans granted to related entities	240,000	-
Goodwill acquisition	-	-
Acquisitions of tangible and intangible assets	(336,114)	(224,434)
Proceeds from other financial investments	1,067,443	-
Interest received	34,722	10,152
Net cash from investment activities	556,050	(214,283)
Financing activities:		
Proceeds from share issue	10,412,024	-
Repayments of bank loans	(701,190)	(192,913)
Proceeds from bond issue	-	-
Repayments on bond issue	-	-
Payments for leasing debts	(310,967)	(368,089)
Interest paid	(1,183,070)	(1,288,719)
Dividends paid	-	-
Net cash from financing activities	8,216,797	(1,849,720)
Net increase in cash and cash equivalents	7,405,058	(7,698,304)
Cash and cash equivalents at the beginning of the financial year	24,872,655	20,824,117
Cash and cash equivalents at the end of the financial year	32,277,713	13,125,813

CONSOLIDATED SITUATION OF CASH FLOW

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CONSOLIDATED SITUATION OF CHANGES IN EQUITY

	Share capital	Premiums	Other equity items	Legal reserves	Reported result	Total capital	Non-controlling interests	Total equity
31 Dec 2020	26,443,139	25,409,965	(19,893,997)	451,993	(5,020,028)	27,391,073	255,237	27,646,310
Net profit	-	-	-	-	(495,327)	(495,327)	(8,290)	(503,617)
Other elements of the global result	-	-	-	-	-	-	-	-
Total Global result	-	-	-	-	(495,327)	(495,327)	(8,290)	(503,617)
<i>Transactions with shareholders</i>	-	-	-	-	-	-	-	-
Capital share increases	1,817,855	8,915,684	(321,515)	-	-	10,412,024	-	10,412,024
Benefits granted to employees SOP	-	-	391,287	-	-	391,287	-	391,287
Distribution of the legal reserve	-	-	-	72,878	(72,878)	-	-	-
31 March 2021	28,260,994	34,325,649	(19,824,224)	524,871	(5,588,233)	37,699,057	246,947	37,946,003
	Share capital	Premiums	Other equity items	Legal reserves	Reported result	Total capital	Non-controlling interests	Total equity
31 Dec 2019	11,620,321	0	1,118,923	352,151	(2,872,249)	10,219,145	324,703	10,543,849
Net profit	-	-	-	-	(203,165)	(203,165)	32,072	(171,093)
Other elements of the global result	-	-	-	-	-	-	-	-
Total Global result	-	-	-	-	(203,165)	(203,165)	32,072	(171,093)
<i>Transactions with shareholders</i>	-	-	-	-	-	-	-	-
Capital share increase	-	-	-	-	-	-	-	-
Benefits granted to employees SOP	-	-	392,290	-	-	392,290	-	392,290
Distribution of the legal reserve	-	-	-	13,061	(13,061)	-	-	-
31 March 2020	11,620,321	0	1,511,213	365,212	(3,088,476)	10,408,270	356,776	10,765,046

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CEO

CFO

NOTA 1. GENERALE INFORMATION

Group structure and operational activities

The financial statements include the consolidated financial information of the parent company Bittnet Systems (the "Issuer"), headquartered in Str. Soimus nr. 23, bl 2, ap. 24, Sector 4, Bucharest and place of business Bd. Timisoara, Nr. 26, Cladirea Plaza Romania Offices, Etaj 1, Sector 6, Bucharest of the following subsidiaries, all branches being registered in Romania:

	<u>31 Mar 2021</u>	<u>31 Dec 2020</u>
SUBSIDIARIES - % ownership		
Dendrio Solutions	100%	100%
Elian Solutions	51.02%	51.02%
Equatorial Gaming	98.99%	98.99%
Equatorial Training, by Equatorial Gaming	100%	100%
MINORITY INTERESTS		
Softbinator Technologies	25%	25%
E-Learning Company	23%	

The Group has over 120 employees and collaborators, who work 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 business combination by the acquisition method. In the statement of financial position, the assets, liabilities and contingent liabilities of the acquirer entity are initially recognized at their fair values at the acquisition date. The results of the acquired operations are included in the consolidated statement of comprehensive income from the date of obtaining control (Dendrio Solutions - September 2017, Elian Solutions - November 2018, Equatorial Gaming and Equatorial Training – December 2020).

Bittnet Systems SA - CUI 211818481

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

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

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

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

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

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

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

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

Dendrio Solutions - CUI 11973883

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

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

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

Elian Solutions - CUI 23037351

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

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

Equatorial Gaming - CUI 30582237

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

In August 2020, Bittnet activated the option to convert the loan amounting to RON 1,050,000, granted in 2018 to Equatorial Gaming, the equivalent of 20.1% of the share capital. In November 2020, Bittnet shareholders approved the purchase of a number of registered shares representing 60.3665% of the share capital of Equatorial Gaming SA. Following these operations, Bittnet Systems reached a holding of 98.99% of the share capital of Equatorial Gaming SA.

Equatorial, a *game-based learning* company, specializes in providing transformative training and consulting programs at the individual, team and organizational levels in Romania and abroad. In 2015, the company invented and launched Equatorial Marathon, an Alternate Virtual Reality Game for corporations, which increases involvement and stimulates employee behavior change. In 2018 Equatorial launched a new product: VRrunners, an evolution for mobile platforms of the Marathon application. In 2019, Equatorial launched 2 new games: White Hat and Bona Fidae Agency.

Softbinator Technologies – CUI 38043696

In the General Meeting of Shareholders held in November 2020, Bittnet shareholders voted to acquire a 25% stake in Softbinator Technologies, the first investment of the group in a software development company.

Softbinator is 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 is involved in the development of software products, web and mobile solutions for digitizing the education process, lifestyle/medical and health, e-payments, e-commerce, online gaming and has ticked in 2020 areas unexplored in previous years through digital banking (including crypto), the Internet of Things (IoT), Automotive and it explored a new vertical in e-commerce expertise: marketplaces.

The E-Learning Company S.A.

According to the November 2020 mandate of the General Meeting of Shareholders, Bittnet's management has completed negotiations to acquire 23% of the share capital of The E-Learning Company (ELC).

The total estimated value of the transaction is dimensioned at the amount of RON 1.75 million.

Payment to the founders of E-Learning Company will be made in two stages, according to Decision no. 6 of Bittnet EGMS from November 2020, through a mix of cash and BNET shares:

- the first first tranche amounting to 850,000 lei was paid in full in cash, the amount of 450,000 during Q1 2020, and the rest in April 2021. Bittnet management decided to pay in full tranche 1 in cash given the long period of time for processing the clearing operation with shares to the founders of the previous M&A transactions - acquisition of 25% of Softbinator and 99% of Equatorial Gaming
- The second installment will be calculated at the beginning of 2022

The exact price of the transaction and the allocation between cash and compensation by BNET shares will be made depending on the fulfillment 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 tranches will be determined in accordance with the provisions of art. 210(2) of Law no. 31/1990 and Articles 87-88 of Law no. 24/2017 on issuers of financial instruments and market operations and Article 174 of the FSA Regulation no. 5/2018. As a result of the investment contract, Bittnet has allocated a position in the Board of Directors of E-Learning Company, a position that will be occupied by Ivylon Management SRL through Logofatu Cristian. Bittnet has decided to participate in ELC in order to reach certain minimum profitability limits, which is why, in the coming years, the distribution of dividends will be pursued, so that Bittnet can achieve a return of at least 18% annually provided that ELC to achieve a degree of profitability at least equal to this percentage.

Following Bittnet Systems' entry into the shareholding, the parties also signed a loan agreement by which the Issuer made available to The E-Learning Company the amount of RON 240,000 for financing the working capital for a maximum period of 3 years and an interest of 10 % per year. The E-Learning Company has a portfolio of solutions and various 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, etc.

The Group's Management

On 29 January 2020, the General Meeting approved the amendment of the company's articles of association in the sense of its administration by a Board of Directors composed of 3 members. The composition of the Board is according to the election results:

- 1) **Ivylon Management SRL** by **Mihai Alexandru Constantin Logofatu**. On the date when this note is drafted, Mihai Logofatu owns a number of 30,596,923 shares, which represents 12.3760% of the share capital and voting rights. Mihai Logofatu is the co-founder of Bittnet Systems.
- 2) **Cristian Ion Logofatu**, who owns a number of 27,841,516 shares, which represents 11.2615% of the share capital and voting rights. Cristian Logofatu is the co-founder of Bittnet Systems.

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

- 3) **Anghel Lucian Claudiu** – independent manager, who holds a number of 1,935,000 shares of the Issuer, i.e. a percentage of 0.7826% of the voting rights.

The operational management of Bittnet Systems is provided by: **Mihai Logofatu** – CEO and cofounder and **Adrian Stanescu** – CFO, together with **Cristian Herghelegiu** – VP for Technologies, who joined the executive team with the acquisition Gecad Net – and **Dan Berteanu**, VP for Education. The 4 persons are identified as key management from the IFRS perspective.

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

Starting with 2020, the Advisory Board was transformed into the Strategic Development Committee with the same component.

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 and is presented with internal management reports, and board members assist and guide the Company's management in the strategic decisions.

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

NOTA 2. BASIS OF THE INTERIM REPORT

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

The consolidated reporting for the **3-month period** ended **31 March 2021** has been prepared in accordance with IAS 34 "Interim Financial Reporting". This report does not include all information and disclosures that would be required in a complete set of IFRS financial statements and should be read in conjunction with the 2020 annual financial statements.

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

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

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

Essential reasoning

- Income recognition – the principal/agent relationship;
- Bittnet trademark recognition;
- Recognition of the incentive program for employees/collaborators by offering stock options - "SOP"

Estimates and assumptions

- The assessment at fair value of the shares held for sale
- Recognition of the incentive program for employees/collaborators by offering stock options – "SOP"
- Evaluation of adjustments for impairment of receivables.

NOTA 3. SIGNIFICANT EVENTS AND TRANSACTIONS

The economic context

The event that marked the year 2020 is the global pandemic of Covid-19, and the restrictions on movement and activity ("lockdowns") imposed by governments all over the world, affecting badly some industries. This situation could generate a liquidity crisis, as a result of the fears of consumers and companies related to the future recession or economic crisis. Nevertheless, it seems that the monetary measures taken by governments and central banks have given enough confidence to the business environment assuring it that a "credit crunch" is not likely to occur. The group closely monitors liquidity indicators – the conversion of receivables into cash, turnovers with customers and suppliers, etc.

For 2021, the element that certainly can have the greatest negative influence on the smooth running of the Group's business is (as we wrote in the analysis of the Covid-19 impact published during the "first wave" – in Q1 2020) the response of the governments to the worldwide pandemic. Thus, so far it seems that the scenario we are using is the "second wave" scenario in the "worldwide pandemic" crisis. The alternative, which still exists as a systemic risk but also perpetuated during 2021, consists of the scenario "pandemic plus economic crisis".

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

As for any other company, the Group faces a period marked by intensified efforts and adaptation to the new reality of work. Most of the activities have been moved to the online space (live virtual), since the first days of March 2020, while the Group continued to deliver training sessions to clients in Romania and to the international market. At the same time, in the technology division the activities that could not be delivered through digital channels were delivered taking into account all the protection measures recommended by the authorities.

Thus, all the promises to the clients were kept and no delivery delays occurred, but perhaps the most important thing is that the Group managed to protect the health of the team members.

Cyclicality/seasonality of income

Historically, considering the seasonality of budgets and expenditure models in the IT&C sector in Romania and worldwide, the most significant results of the Bittnet Group were always recorded in the last months of the year, more precisely in the 4th quarter of each year. We underline this aspect because during the whole period we were listed on AeRO, we published only half-yearly results, and investors did not have the chance to fully understand our performance from one quarter to another.

As a guideline, in the company's history, the results of the first nine months represented approximately 60% of the turnover of the year, and in the 4th Quarter, approximately 40%. This is due to the specifics of the Group's clients, large, very large and even giant companies, which operate with annual budgets.

Main Market – Bucharest Stock Exchange transfer

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

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

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

NOTA 4. INFORMATION BY ACTIVITY SEGMENTS

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

Bittnet Group operates two key divisions: Education and Technology.

- **Education** - which currently consists of the IT training segment

The trainings provided by **Bittnet** and **Equatorial** allow the access of technology experts by teaching IT skills, from the basic ones (eg: Microsoft Office Suite) to the most advanced ones (Cloud, DevOps, Cybersecurity). The business training portfolio includes project management, IT services management, business intelligence, CRM, ERP, Agile, etc.)

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

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

OPERATIONAL RESULTS	for 3 months ending on 31 March 2021			for 3 months ending on 31 March 2020		
	Education	Technology	Total	Education	Technology	Total
Total revenues	2,068,544	18,196,660	20,265,204	3,391,107	17,674,408	21,065,515
Revenues between segments	-	(61,973)	(61,973)	(3,121)	(72,570)	(75,691)
Revenues from contracts with clients	2,068,544	18,134,687	20,203,231	3,387,986	17,601,838	20,989,824
Gross margin	966,783	3,045,329	4,012,112	2,242,579	2,908,834	5,151,413
Allocated sales costs	(697,141)	1,360,364)	(2,057,505)	(358,656)	(1,420,369)	(1,779,025)
Margin, after sales costs	269,643	1,684,965	1,954,607	1,883,923	1,488,465	3,372,389
Other incomes			103,757			99,133
Unallocated operating expenses			(3,036,242)			(2,683,623)
Financial income / expenses			442,149			(956,952)
Gross result			(535,728)			(169,053)

NOTA 5. REVENUES FROM CUSTOMER CONTRACTS

Revenues from customer contracts are detailed in the following table:

	3 months ending on	
	31 Mar 2021	31 Mar 2020
Training services	2,068,544	3,387,986
IT solutions integration services	4,055,980	4,432,041
Revenues from the provision of services	6,124,524	7,820,027
Selling goods integrating IT solutions	8,118,480	4,914,778
Resold licenses	5,960,227	8,255,019
Sale of goods	14,078,707	13,169,797
Total	20,203,231	20,989,824

ASSETS / LIABILITIES	31 March 2021			31 December 2020		
	Education	Technology	Total	Education	Technology	Total
Assets by each segment	28,524,807	38,434,836	66,959,642	12,922,219	50,265,977	63,188,195
Unallocated assets			33,749,850			39,164,466
Assets Total			100,709,492			102,352,662
Debts by each segment	4,272,749	46,087,659	50,360,407	4,509,080	52,473,813	56,982,893
Unallocated debts			12,403,082			17,723,458
Debts Total			62,763,489			74,706,352

Training services

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

Revenues are recognized at a specific time, at the end of the training as a result of fulfilling the execution obligation.

IT solutions integration services

The IT solutions provided by the Group include: general consulting services, IT assessment services, implementation and migration services, maintenance and support services, infrastructure optimization services. The integrator business means the supply of 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, at the end of the implementation as a result of fulfilling the execution obligation.

Revenues from the sale of goods and licenses

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

Revenues from a geographical perspective

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

NOTA 6. CLASSIFICATION OF EXPENSES BY THEIR NATURE

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

BITTNET SYSTEMS SA
INTERIM CONSOLIDATED FINANCIAL REPORT

For 3 months ending on 31 March 2021

Prepared in accordance with Order of the Minister of Public Finance no. 2844/2016
(all the amounts shall be expressed in RON, unless otherwise provided)

	3 months ending on:	
	31 Mar 2021	31 Mar 2020
Materials and goods	6,929,843	4,615,840
Resold licenses	4,552,633	7,236,429
Staff expenditure	2,343,296	2,063,940
Expenses with collaborators	2,811,845	2,459,748
Amortization	710,462	500,877
Cloud services	1,251,314	1,062,746
Rent expenditure	79,074	76,967
Commissions and fees	58,995	42,334
Advertisement	368,220	216,925
Travel and transportation	16,712	23,801
Insurance	39,614	35,585
Telecom and post expenditure	28,933	34,266
Donations	38,511	-
Receivables adjustments	-	-
Bank fees	28,064	16,194
Services provided by third parties	1,951,976	1,750,038
Other expenditures	75,371	165,368
Total operating expenses	21,284,865	20,301,057

NOTA 7. EQUIVALENT SECURITIES

Equivalent securities

Equatorial Gaming

The investment in Equatorial Gaming (25%) was accounted for until December 2020 using the equity method from the date it became associated party, respectively in August 2018.

When acquiring the investment, the difference between the investment cost and the entity's share of the value is the net fair value of the company's identifiable assets and liabilities (goodwill) and is included in the carrying amount of the investment. In applying the equivalent/equity method, the financial information was used on August 31, 2018. The share of the profit realized for the remaining period until December 31, 2020 was registered in the statement of comprehensive income.

Equatorial Gaming has been consolidated since December 2020.

Softbinator Technologies

In December 2020, Bittnet Group acquired a 25% stake in Softbinator Technologies, the first investment of the group in a software development company. The investment was accounted for using the equity method from the date it became associated party, respectively in August 2020. In applying the equivalent/equity method, the financial information was used on December 31, 2020.

The E-Learning Company

In January 2021, the Bittnet Group acquired a 23% stake in E-Learning Company. The investment was accounted for using the equity method from the date it became associated party, respectively in January 2021. In applying the equivalent/equity method, the financial information was used on January 31, 2021.

Other financial assets (securities) at fair value

Safetech Innovations

The assessment at fair value

In October 2020, the Company's management invested in the private placement organized in order to increase the share capital of the cyber security company Safetech Innovations SA. The investment was made within the mandate that the executive management has according to the Articles of Association. During the placement, Bittnet subscribed the maximum possible amount, respectively RON 2,500,000 for all the 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 in the same way as the other investment in the Group.

Following the oversubscription of Safetech's offer almost 9 times, Bittnet was informed by the Intermediary (SSIF Tradeville) that a number of 72,895 SAFE shares had been allocated to it, representing 2.3326% of Safetech's share capital, which made the value of the Bittnet investment to amount to RON 291,580.00.

In January 2021, Safetech shares were listed on the AeRO-SMT market under the SAFE trading symbol, at a price approximately 400% higher than that of the private placement. Thus, the value of the Bittnet investment was worth RON 1.5 million right from the first hour of trading.

In order to revalue the investment in SAFE on December 31, 2020, Bittnet's management calculated and analyzed several market multiples, commonly used to evaluate listed IT companies (EV/Sales, P/Sales, EV/EBITDA, P/E, P/BV), both for Safetech and for the other companies listed in the IT area (apart from BNET), i.e. Life is Hard, Ascendia and 2Performant, as well as other technology companies listed on foreign financial 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, from the point of view 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, which led to the revaluation of the investment in Safetech Innovations to the value of RON 1,457,900 on 31.12.2020.

On 31.03.2021, the investment in Safetech Innovations shares was revalued using the average trading price on the AeRO market on 31.03.2021.

NOTA 8. CAPITAL AND RESERVES

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

	31 Mar 2021	31 Dec 2020
Share capital	28,260,994	26,443,139
Issue premiums	34,325,649	25,409,965
Legal reserves	(19,824,224)	(19,893,997)
Other equity items	524,871	451,993
Legal reserves	(5,092,906)	(5,915,155)
Reported result	(495,327)	895,127
Current global result		
Total	37,699,057	27,391,073

Share capital

The share capital of the parent company Bittnet Systems includes only ordinary shares with a nominal value of RON 0.1/share.

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

Shareholders and % held	31 Mar 2021	31 Dec 2020
Mihai Logofatu	12.37%	13,35%
Cristian Logofatu	11.26%	12,15%
Others	76.37%	74,50%
Total	100%	100%

Increase in share capital, new contributions in February - April 2020

According to the EGMS Decision no. 2 of April 24, 2019, the increase of the share capital with a number of 11,046,641 common shares offered for subscription to shareholders was approved. The increase operation started in the 1st quarter of 2020, with the trading of BNETR07 preference rights and then with the phase of the public subscription offer based on the preference right.

Thus, in phase I (public offer) – carried out between March 5 and April 3, 2020 - 5,046,928 new shares were subscribed (45.69% of the total) at the price of RON 0.83 per share, of a number of 189 natural and legal investors.

In phase II (private placement) the Company offered for sale the 5,999,713 shares remaining unsubscribed at the unit price of RON 0.831. The subscriptions were made by 51 natural and legal investors.

During the two stages of the increase operation, all 11,046,641 shares offered were subscribed, representing 100% of the total issue of new shares, the Company attracting a cash contribution of RON 9.174.711,74.

Increase in share capital by incorporating reserves

The share capital was increased by incorporating the reserves and issue premiums according to the EGMS Decision no. 2 of April 2020 and free shares were distributed: 7 new shares for every 10 shares held on the registration date. The operation was completed in July 2020.

Additionally, the share capital of Bittnet Systems was increased by issuing a number of 11 million shares free of charge for the benefit of shareholders from the date of registration (1 free share for every 10 held), according to EGMS Decision no. 3 of April 2020. Shareholders could choose online to make these new shares available to the Company for use in stock options plans for key persons approved by the GMS, in which case they receive a cash distribution equal to the nominal value of the new share. Following this operation, the Central Depository charged into the company's account a number of 9.2 million shares (registered as treasury shares), and to the accounts of shareholders who did not opt for cash distribution – 2 million shares, according to their option.

Increase in share capital through debt conversion in December 2020

Based on the mandate conferred by the EGMS Decisions no. 4 and no. 5 of 26.11.2020, the Board of Directors signed two contracts for sale - purchase of shares, for the acquisition 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. Thus, the total amount of investments in the 2 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. Following these operations, Bittnet Systems holds a share of 98.99% in Equatorial Gaming and of 25% in Softbinator.

In December 2020, the Board of Directors of Bittnet Systems decided to increase the share capital based on the mandate established by the GMS and the provisions of the Articles of Incorporation in the amount of RON 6,650,000 on the receivables held on the Company by the associates/shareholders of the two companies, Equatorial Gaming and Softbinator Technologies.

During the capital increase operation, the shareholders of the 2 companies will be allocated shares to the Issuer as follows:

- Daniel Berteanu – co-founder of Equatorial Gaming – 2,717,647 BNET shares
- Diana Rosetka – co-founder of Equatorial Gaming – 736,722 BNET shares
- Daniel Ilinca - founder of Softbinator - 5,784,061 BNET shares
- Andrei Pitis - Softbinator shareholder - 1,446,015 BNET shares

Following the issuance of the 10,684,445 BNET shares, the share capital increased by RON 1,068,444.50, and the equity increased by RON 5,581,555.50 – capital premiums (the difference between the value of the receivable and the value by which the share capital is increased). The value of RON 6.65 million, the receivable held by the sellers on the Issuer, was certified by the extrajudicial accounting expertise report dated 17.12.2020.

The number of newly issued shares was determined in accordance with the provisions of Article 210(2) of Law no. 31/1990 and Articles 87-88 of Law no. 24/2017 on issuers of financial instruments and market operations and Article 174 of the FSA Regulation no. 5/2018. Thus, the number of shares was determined by dividing the receivable at the price of RON 0.6224/share - the weighted average price of BNET shares during the period 13.12.2019 – 16.12.2020. The capital increase is made by raising the right of preference and based on the Decision of the Board of Directors no. 10 of 17.12.2020 and in accordance with the attributions delegated by the EGMS by Decisions no. 3 of 25.04.2018 and no. 1 of 17.12.2018, so that the newly issued shares can be allocated to the holders of the receivable (shareholders of the acquired companies).

The settlement of the 2 transactions through a mix of BNET shares and cash was approved in the EGMS of 26.11.2020, and the reason behind this model was to align the interests of the shareholders of the 2 companies in which Bittnet became a shareholder with Bittnet shareholders. Thus, the shares released as a result of the share capital increase through the conversion of the debt that was uncontested, liquid, and enforceable against the company will be registered by the Central Depository in the global accounts of the 4 beneficiaries – proportionally to the value of the uncontested, liquid, and enforceable debt they hold over the Company.

At the time of writing this note, the Trade Register issued the registration certificate with mentions on the entire value of the increased capital and the operation is being processed at the Financial Supervision Authority, the Issuer submitting the related documentation for issuing a new certificate of registration of financial instruments for the total number of shares according to the increased capital.

Increase in share capital, new contributions in February - March 2021

Between January and March 2021, the offer period took place within the capital increase with new cash contributions approved by the EGMS Decision no. 4 of April 29, 2020. Thus, in Phase 1 – carried out between 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 provided in the offer (composed of the nominal value plus the issue premium) was determined according to the EGMS Decision and the formula approved by it for the issue premium: $[(\text{average trading price last 30 days}) / 1,2] - 0,1$.

The shares remaining unsubscribed during the offer period were offered for subscription within a private placement (Phase 2) which was closed in advance due to the high interest and the small number of shares (819,408 shares remaining unsubscribed after Phase 1). According to the law, the price from the private placement was higher than the price from Phase 1, respectively RON 0,60 per share.

During the two phases of the capital increase operation, the 18,178,550 new shares were subscribed, 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 were allocated in the subscribers' accounts a number of allocation rights (symbol BNETR09) equal to the total number of subscribed shares. The allocation rights entered into Trading within the BVB Regulated Market starting with April 10, 2021 after receiving the CIIF and their registration in the FSA records as financial instruments.

Following this operation, the subscribed and paid-in share capital of the Company was increased by the amount of RON 1,817,855 (related to the nominal value of the newly issued shares). The amount of RON 8,915,683.58 (resulting from the decrease of the amount of the increase of the share capital from the entire value of the attracted financing) was registered as issue premiums and will be available, in the future, as reserves. The Company's intention is to also include the issue premiums in the share capital and to issue and allocate free shares in future capitalization operations.

Following the registration of new values of the share capital increased at ReCom, FSA issued the new certificate of registration of financial instruments, and the operation was completed by loading the newly issued shares for trading on 26.03.2021.

Issue premiums

The issue premiums were set up during the capital increases and can be used to increase the share capital in future operations.

Legal reserve

According to Law no. 31/1990, every year, at least 5% of the profit is taken over for the formation of the reserve fund, until it reaches at least one fifth of the share capital. Reserves representing fiscal facilities cannot be distributed with implications on the recalculation of the profit tax.

Other equity items

Essential reasoning – recognition and assessment of SOP

The Group assessed from an IFRS 2 perspective whether payment transactions based on shares with employees (SOPs) are settled in cash or by issuing shares.

The Group settles the transactions by issuing to the holders options a number of shares that are equivalent (at market price) to the financial value of the option. The capital increase is made by raising the preference right and based on the Administrator's Decision.

As a result, although at an intermediate stage the "debt" regarding the settlement of the SOP is assessed, the economic substance of the transaction is that they are settled in shares. Therefore, the Group recognized SOP transactions as settled in shares, and recognized and assessed the services received in the Statement of comprehensive income and the corresponding increase directly in equity.

Significant estimates - SOP evaluation

The Company assessed from an IFRS 2 perspective whether payment transactions based on shares with employees (SOPs) are settled in cash or by issuing shares.

The Company settles the transactions by issuing to the holders options a number of shares that are equivalent (at market price) to the financial value of the option. The capital increase is made by raising the preference right and based on the Administrator's Decision.

As a result, although at an intermediate stage the "debt" regarding the settlement of the SOP is assessed, the economic substance of the transaction is that they are settled in shares. Therefore, the Company recognizes SOP transactions as being settled in shares, and recognizes and assesses the services received in the Statement of comprehensive income and the corresponding increase directly in equity.

Transactions with employees and other employees providing similar services were valued at the fair value of the capital instruments provided, as it was usually not possible to reliably estimate the fair value of the services received.

The assessment of the fair value at the date of granting (according to IFRS 2) - the date of approval by the EGMS of each plan – is performed using the Black - Scholes model, using as values for the model:

- spot price on the GMS date, i.e. adjusted average price for splits at t-1
- strike price (at the reference date) according to each plan
- volatility, according to the analysis of the daily price of BNET shares, adjusted for splits
- risk-free interest rate, i.e. ROBOR 12M published on t-1
- the number of shares of the company from the date of granting
- dilution percentage in the Stock Option Plan

The full value of each plan is recognized in costs over the course of each plan.

SOP 2018

By the Board Decision no. 7/18.08.2020 the Board of Directors of the Company decided to increase the share capital by issuing a number of 24,697,223 ordinary, registered, dematerialized shares, of equal value and with a nominal value of RON 0.1 each, on account of the receivable held on the Company by the stock option holders ("Key Persons") in compliance with the Key Incentive Plan - Stock Option Plan approved by EGMS Decision 12 of 25.04.2018 and stock option contracts and subsequent additional deeds- 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 – issue premiums. According to the incentive plan - SOP2018 - a total number of 47 persons received the right, without having the obligation, to purchase from the Company shares at a price per share equivalent to a capitalization of the Company as of 31.12.2017. During the period 10.05.2020 - 10.06.2020 (maturity of the stock option), the key persons exercised the stock option, the Company having the alternative to purchase again shares on the market or to operate a capital increase by issuing to the holders of stock options a number of shares to equate (at market price) the financial value of the stock option for stock option holders. The value of the option, which is the receivable from the Company, was certified by the extrajudicial accounting expertise report dated 17.08.2020.

The number of newly issued shares was determined in accordance with the provisions of Article 210(2) of Law no. 31/1990 and Articles 87-88 of Law no. 24/2017 on issuers of financial instruments and market operations and Article 174 of the FSA Regulation no. 5/2018. Thus, the number of shares was determined by dividing the receivable at the price of RON 0.5761/share - the weighted average price of BNET shares during the period 14 August 2019 – 14 August 2020.

The capital increase is made by raising the right of preference and based on the Decision of the Board of Directors no. 7 of 18.08.2020 and in accordance with the attributions delegated by the EGMS by Decisions no. 3 of 25.04.2018 and no. 1 of 17.12.2018, so that the newly issued shares can be allocated to the holders of the receivable (as a result of SOP2018).

At the time of writing this Note, the operation was being registered with the Financial Supervisory Authority. After obtaining the new certificate of registration of the financial instruments (CIIF) from FSA, the Central Depository will be able to allocate the shares issued in the global accounts of the key persons.

SOP 2019

By the EGMS Decision no. 4 of 24.04.2019 Bittnet shareholders voted a stock option plan for key persons with a duration of 2 years, amounting to a maximum of 5% of the total shares of the Company.

SOP 2020A

By EGMS Decision no. 3 dated January 29, 2020 the following were voted:

- Including in the key persons' stock options plan, with a number of options equal to 0.5 % of the total number of shares, annually, of each member of the Board of Directors, with the exception of the Chairman of the Board of Directors; and
- Including in the key persons' stock options plan, with a number of options equal to 0.75% of the total number of shares, annually, of the Board of Directors, with the exception of the Chairman of the Board of Directors.

SOP 2020B

Additionally, by EGMS Decision no. 5 dated April 29, 2020, the Company's shareholders voted a stock option plan for key persons with a duration of 2 years, amounting to a maximum of 5% of the Company's total shares.

SOP 2021

By Decision no. 5 of the EGMS of April 27, 2021, the shareholders of the Company voted an incentive plan with options for key persons with a duration of 2 years, amounting to a maximum of 5% of the total shares of the Company.

NOTA 9. BANK LOANS

Details regarding bank loans are presented in the following table:

	31 Mar 2021	31 Dec 2020
ProCredit credits TL	6,408,992	7,227,824
ProCredit line 4.5 mill.	4,624,145	4,551,151
Raiffeisen (IMM invest)	420,101	375,472
Total, of which:	11,453,257	12,154,447
Long-term share	3,796,333	4,570,517
Short-term share	7,656,924	7,583,930

The group's bank lending structure is mainly made up of revolving overdrafts aimed at short-term financing of specific projects. On the date of this report, the group has credits and overdrafts for financing the current activity amounting to RON 11 million at ProCredit Bank, ING Bank and Unicredit Bank and a non-cash ceiling for issuing letters of bank guarantee of RON 1 million to Banca Transilvania.

NOTA 10. INFORMATION REGARDING THE RELATION WITH RELATED PARTIES

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

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

	3 months ending on:	
	31 Mar 2021	31 Mar 2020
Management contracts	171,279	94,982
SOP expenditure	169,264	208,307
Total	340,543	303,289
Debts	31 Mar 2021	31 Dec 2020
Key employees	57,480	52,093
Total	57,480	52,093
Receivables and loans	31 Mar 2021	31 Dec 2020
E-Learning Company – main loan	240,000	-
Total	240,000	-

The loan to E-Learning Company is granted for a period of 3 years, with an interest rate of 10% per year.