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# 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.

| **Revenue recognition** | |
|---|---|
| **Key audit matters** | **How audit addressed key audit matters:** |
| Please see Note 7 „ Revenue fro contract with customers".<br><br>According to ISA, an inherent risk regarding the revenue recognition may exist when management is under pressure to achieve an expected financial outcome.<br><br>The main activities from which the Group generates revenues are those of sale and implementation of IT&C products, provision of training services, respectively sale of use licenses.<br><br>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. | The audit procedures performed included, among others:<br><br>▪ Evaluating the processes and internal controls regarding existence and accuracy of revenue recognition, including detection of fraud and errors in revenue recognition;<br>▪ Inspection based on a sample of contracts signed with customers, to understand the delivery conditions, and also the conditions for discounts to be paid;<br>▪ Examine the sale journals to identify unusual transactions and inspection of supporting documentation to asses whether the revenue has been properly recognized.<br>▪ 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.<br>▪ Testing based on a sample of the receivables recorded by sending confirmations letters. |

## 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

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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## Consolidated Comprehensive Income Statement

| | | 2020 | 2019 |
|---|---|---|---|
| | | | corected |
| Revenue from customers | | 109,191,760 | 98,011,545 |
| Sales costs | | (87,725,366) | (81,566,267) |
| **Gross margin** | | **21,466,394** | **16,445,278** |
| 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) |
| **Gross profit** | | **1,484,245** | **(5,138,122)** |
| Income tax | | (459,211) | 679,781 |
| **Net profit, out of which:** | | **1,025,034** | **(4,458,341)** |
| | Parent company | 895,127 | (4,581,227) |
| | minority interests | 129,907 | 122,885 |
| **Total overall result** | | **1,025,034** | **(4,458,341)** |
| | Parent company | 895,127 | (4,581,227) |
| | minority interests | 129,907 | 122,885 |
| **Earnings per share** | | | |
| | basis | 0.0034 | (0.0181) |
| | diluted | 0.0030 | (0.0172) |

## CONSOLIDATED STAMENENT OF FINANCIAL POSITION

| | 31 dec 2020 | 31 dec 2019 |
|---|---|---|
| ASSETS | | corrected |
| Fixed assets | | |
| 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 |
| **Total fixed assets** | **44,532,542** | **34,124,307** |
| Current assets | | |
| 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 |
| **Total current assets** | **57,820,119** | **55,641,063** |
| TOTAL ASSETS | **102,352,661** | **89,765,370** |
| | | |
| EQUITY AND LIABILITIES | | |
| 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) |
| **Parent company equity** | **27,391,072** | **10,219,145** |
| Non-controlling interests | 255,237 | 324,703 |
| **Total equity and reserves** | **27,646,309** | **10,543,849** |
| Long-term liabilities | | |
| 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** |
| **Total long-term liabilities** | | |
| Current liabilities | 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 |
| **Total current liabilities** | **38,741,791** | **42,375,298** |
| **Total liabilities** | **74,706,352** | **79,221,521** |
| TOTAL EQUITY AND LIABILITIES | **102,352,661** | **89,765,370** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | 2020 | 2019 |
|---|---|---|
| | | corectat |
| **Gross profit** | **1,484,245** | **(5,138,122)** |
| Adjustments for: | | |
| 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) |
| **Operating profit before working capital variation** | **7,709,580** | **1,649,755** |
| 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 |
| **Operation-generated cash** | **8,660,816** | **9,105,989** |
| Paid income tax | (310,496) | (603,701) |
| **Operating activities-generated net cash** | **8,350,320** | **8,502,288** |
| **Investment activities:** | | |
| 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 |
| **Investment activities-generated net cash** | **(10,746,803)** | **(1,198,308)** |
| **Financing activities:** | | |
| 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 interess | (3,200,475) | (2,627,877) |
| Dividends paid to non-controlling interests | (59,972) | - |
| **Financing activities-generated net cash** | **6,445,020** | **472,255** |
| **Net increase in cash and equivalents** | **4,048,537** | **7,776,235** |
| Cash and equivalents at the beginning of the financial year | 20,824,117 | 13,047,882 |
| **Cash and equivalents at the end of the financial year** | **24,872,654** | **20,824,117** |

## 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 |
|---|---|---|---|---|---|---|---|---|
| **Dec/31/2018** | **5,175,524** | **2,594,889** | **1,038,755** | **266,124** | **4,723,436** | **13,798,728** | **201,818** | **14,000,546** |
| Net profit | - | - | - | - | (4,581,227) | (4,581,227) | 122,885 | (4,458,341) |
| Other items of the overall result | - | - | - | - | - | - | - | - |
| **Total overall result** | **-** | - | - | - | **(4,581,227)** | **(4,581,227)** | **122,885** | **(4,458,341)** |
| *Transactions with shareholders* | | | | | | | | |
| 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) | - | - | - |
| **Dec/31/2019** | **11,620,321** | **-** | **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 |
| Other items of the overall result | - | - | - | - | - | - | - | - |
| **Total overall result** | **-** | - | - | - | **895,127** | **895,127** | **129,907** | **1,025,034** |
| *Transactions with shareholders* | | | | | | | | |
| 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) | - | - | - |
| **Dec/31/2020** | **26,443,139** | **25,409,965** | **(19,893,997)** | **468,943** | **(5,036,978)** | **27,391,072** | **255,237** | **27,646,309** |

# Notes to the Financial Statements

## 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:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| SUBSIDIARIES - % ownership | | |
| Dendrio Solutions | 100% | 100% |
| Elian Solutions | 51.02% | 51.02% |
| Equatorial Gaming | 98.99% | 25.00% |
| Equatorial Training | - | - |
| MINORITY INTERESTS | | |
| 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 21181848l

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 Căpăţînă, 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 Bittnetand 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 , representing13.3582% 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 coressponding 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:

| Comprehensive Income | Corrected | Previous | Diferences |
|---|---|---|---|
| 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 |
| **Correction to the Net result** | | | **(1,827,728)** |

| Shareholder Equity | Corrected | Previous | Diferences |
|---|---|---|---|
| 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 |
| **Corrections to Equity** | | | **(1,827,728)** |

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, liabilitires, revenue, costs, etc). The revised framework improves upon these concepts.
- **IAS 1 Presentation of financial statements and IAS 8 Accounting Politcies**, changes in estimates and errors ( Amendment – Information presentation Intiative - 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 assessmewnt 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 supll`additionar presentations that explain how an entities hedging operations are affected by uncertainties generated by IBBOR reforms.
- **Leasing contracts (Change – Concesions 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 tandards, that allow recording rent concessions as negative variable payments. Changes are mandatory for anual 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 (Amendaments 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 | 31 dec 2020 | 31 dec 2019 |
|---|---|---|
| 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 |
| Total | 70,848,191 | 74,139,462 |

| FINANCIAL ASSETS | 31 dec 2020 | 31 dec 2019 |
|---|---|---|
| Receivables and loans | 29,156,645 | 32,480,865 |
| Cash and equivalents | 24,872,655 | 20,824,117 |
| Total | 54,029,300 | 53,304,983 |

*(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.

| | 31 dec 2020 | 31 dec 2019 |
|---|---|---|
| Variable interest | 12,154,447 | 5,668,104 |
| Fixed interest | 33,685,290 | 36,953,966 |
| **Total** | **45,839,737** | **42,622,069** |

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 incurrence 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):

| **31 December 2020** | **Up to 3 months** | **3 to 12 months** | **1 to 2 years** | **2 to 5 years** |
|---|---|---|---|---|
| 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 | - | - | - |
| Total | 27,047,884 | 7,835,747 | 8,533,759 | 34,295,912 |

| 31 December 2019 | Up to 3 months | 3 to 12 months | 1 to 2 years | 2 to 5 years |
|---|---|---|---|---|
| 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 | - | - | - |
| Total | 35,115,370 | 1,674,418 | 6,123,551 | 30,722,671 |

*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:

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

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| OPERATIONAL RESULTS | 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 |
| **Gross margin** | **7,769,911** | **13,696,483** | **21,466,394** | **6,406,711** | **10,038,567** | **16,445,278** |
| Allocated selling costs | (2,305,830) | (5,203,157) | (7,508,988) | (2,571,234) | (4,699,962) | (7,271,196) |
| **Margin, after selling costs** | **5,464,081** | **8,493,326** | **13,957,406** | **3,835,477** | **5,338,605** | **9,174,082** |
| Other income | | | 451,828 | | | 657,734 |
| Unallocated operating expenses | | | (10,053,352) | | | (11,281,333) |
| Financial income/expenses | | | (2,871,638) | | | (3,688,605) |
| **Gross profit** | | | **1,484,245** | | | **(5,138,122)** |

| | 31 December 2020 | | | 31 December 2019 | | |
|---|---|---|---|---|---|---|
| ASSETS / LIABILITIES | Education | Technology | Total | Education | Technology | Total |
| **Investments in non-financial assets** | 4,345,319 | 496,554 | **4,841,873** | **455,598** | **5,556,915** | **6,012,514** |
| 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 |
| **Total Assets** | | | **92,365,462** | | | **88,528,632** |
| 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 |
| **Total liabilities** | | | **73,816,570** | | | **78,331,740** |

## NOTE 7. REVENUES FROM CONTRACTS WITH CUSTOMERS

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

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

### 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:

| | 2020 | 2019 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 |
| **Total** | **87,725,366** | **81,566,268** |

## NOTE 9. SALES EXPENSES

The sales expenses for the financial years 2019-2020 are presented in the following table:

| | 2020 | 2019 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 |
| **Total** | **7,508,988** | **7,271,196** |

## NOTE 10. GENERAL AND ADMINISTRATIVE EXPENSES

The administrative expenses for the financial years 2019-2020 are detailed in the following table:

| | 2020 | 2019 |
|---|---|---|
| | | 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 |
| **Total** | **10,053,352** | **11,281,333** |

## 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:

| | 2020 | 2019 |
|---|---|---|
| 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 |
| **Total operating expenses** | **105,287,705** | **100,118,796** |

## NOTE 12. FINANCIAL EXPENSES

Details of revenues and expenses for the financial years 2019-2020 are presented in the following table:

| | 2020 | 2019 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 |
| **Total** | **4,019,587** | **4,285,276** |

## NOTE 13. INCOME TAX

Details regarding the current and deferred tax profit for the financial years 2019-2020 are presented in the following table:

| | 2020 | 2019 corectat |
|---|---|---|
| Current profit tax | 166,201 | 212,343 |
| Deferred tax | 260,381 | (939,433) |
| **Total income tax** | **426,582** | **(727,090)** |
| Micro-enterprise tax | 32,629 | 47,309 |
| **Total tax** | **459,211** | **(679,781)** |

### Income tax reconciliation

| | 2020 | 2019 corectat |
|---|---|---|
| GROSS INCOME | 1,283,082 | (5,446,656) |
| Legal reserve | (89,829) | (86,027) |
| Non-taxable income | (839,859) | (218,433) |
| Non-deductible expenses | 2,552,400 | 1,473,874 |
| **TAXABLE INCOME** | **2,905,794** | **(4,277,242)** |
| Income tax (16%) | 464,927 | (684,359) |
| Sponsorship discount | (38,345) | (42,731) |
| **Total income tax** | **426,582** | **(727,090)** |

### 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:

| | 31 dec 2020 | 31 dec 2019 |
|---|---|---|
| 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 | - |
| **Total** | **21,082,977** | **17,701,643** |

### Goodwill calculation:

| | DENDRIO | ELIAN | CRESCENDO | EQG |
|---|---|---|---|---|
| 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% |
| **Goodwill** | **2,536,315** | **348,385** | **14,816,943** | **3,381,334** |

### 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, reprezenting 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 EQGfor 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 |
|---|---|---|---|
| Net value | | | |
| **On 31.12.2018** | **5,786,000** | **313,112** | **6,099,112** |
| Inputs | - | 423,805 | **423,805** |
| Depreciation | - | (97,192) | **(97,192)** |
| **On 31.12.2019** | **5,786,000** | **639,725** | **6,425,725** |
| Inputs | 650,000 | 1,978,371 | **2,628,371** |
| Depreciation | - | (233,137) | **(233,137)** |
| **On 31.12.2020** | **6,436,000** | **2,384,959** | **8,820,959** |

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 tigether 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 (accoring 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 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 |
|---|---|---|---|---|
| **Cost** | | | | |
| **On 31 December 2018** | **483,948** | **1,521,928** | **695,337** | **2,701,212** |
| 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)** |
| **On 31 December 2019** | **5,105,662** | **3,027,855** | **744,299** | **8,877,816** |
| 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)** |
| **On 31 December 2020** | **5,119,486** | **2,953,440** | **353,023** | **8,425,948** |
| **Depreciation** | | | | |
| **On 31 December 2018** | **82,281** | **240,402** | **374,711** | **697,395** |
| Cost of the period | 882,049 | 892,165 | 31,731 | **1,805,945** |
| Surrender/Transfer | - | (368,094) | - | **(368,094)** |
| **On 31 December 2019** | **964,330** | **764,474** | **406,442** | **2,135,246** |
| Cost of the period | 874,627 | 936,810 | 52,921 | **1,864,359** |
| Surrender/Transfer | (15,782) | (174,771) | (458,431) | **(648,984)** |
| **On 31 December 2020** | **1,823,175** | **1,158,420** | **932** | **2,982,527** |
| **Net value** | | | | |
| **On 31 December 2020** | **3,296,310** | **1,795,020** | **352,091** | **5,443,421** |
| **On 31 December 2019** | **4,141,331** | **2,263,381** | **337,857** | **6,742,570** |
| **On 31 December 2018** | **401,666** | **1,281,526** | **320,626** | **2,003,818** |

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 |
| **Total** | **1,157,052** | **2,567,205** |

## NOTE 19. TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables and other receivables are presented in the following table:

| | 31 dec 2020 | 31 dec 2019 |
|---|---|---|
| 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 |
| **Total** | **29,156,645** | **32,480,865** |
| Advances to suppliers | 355,134 | 310,950 |
| Prepaid expenses | 473,450 | 470,691 |
| Receivables from the state budget | 352,966 | 94,283 |
| **Total, of which:** | **30,338,195** | **33,356,789** |
| Non-current assets | 7,483 | 1,056,588 |
| Current assets | 30,330,712 | 32,300,201 |

### Statement of net receivables by age:

| | 31 dec 2020 | 31 dec 2019 |
|---|---|---|
| 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 |
| Total | **27,714,409** | **29,407,907** |

### Reconciliation of customer receivables adjustments:

| | 2020 | 2019 |
|---|---|---|
| 1 January | **1,097,569** | **1,027,840** |
| Adjustments during the period | - | 69,729 |
| Adjustments to subsidiary/take-over acquisitions | (670,766) | - |
| Resume adjustments | (262,885) | - |
| 31 December | **163,918** | **1,097,569** |

### 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:

| | 31 dec 2020 | 31 dec 2019 |
|---|---|---|
| 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 |
| **Total** | **24,872,655** | **20,824,117** |

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:

| | 31 dec 2020 | 31 dec 2019 |
|---|---|---|
| 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) |
| **Total** | **27,391,072** | **12,046,873** |

### 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 | 31 dec 2020 | 31 dec 2019 |
|---|---|---|
| Mihai Logofatu | 13.35% | 15.03% |
| Cristian Logofatu | 12.15% | 14.02% |
| Others | 74.50% | 59.90% |
| **Total** | **100%** | **100%** |

*Share capital increase via new cash contributions February – April 2020*

Shareholders have approved in april 2019 a capital increase via an SPO – sellling 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 subsribed, (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 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 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 ajusted 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 Depositary 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 esch 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:

| | 31 dec 2020 | 31 dec 2019 |
|---|---|---|
| BNET22 | 4,451,616 | 4,428,511 |
| BNET23 | 4,647,795 | 4,633,721 |
| BNET23A | 9,491,246 | 9,441,695 |
| BNET23C | 9,766,667 | 9,691,667 |
| Accrued Interest | 889,781 | 889,781 |
| **Total, of which:** | **29,247,105** | **28,195,593** |
| Long-term part | 28,357,324 | 28,195,593 |
| Short-term part | 889,781 | 889,781 |

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:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| 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 | |
| **Total, of which:** | **12,154,447** | **8,368,104** |
| 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 ROBOR3M+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, ROBOR3M+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 ROBOR1M+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: ROBOR3M+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.

| | 31 dec 2020 | 31 dec 2019 |
|---|---|---|
| Short-term part | 1,401,465 | 1,325,649 |
| Long-term part | 3,036,719 | 3,842,943 |
| **Total** | **4,438,185** | **5,168,592** |

Reconciliation of leasing liabilities and usage rights recognized as a result of the application of IFRS 16 is presented in the following tables:

| Leasing liabilities | Spaces | Equipment | Cars | Total |
|---|---|---|---|---|
| On 1 January 2019 | 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 | (823,094) | (371,843) | (305,162) | (1,500,098) |
| On 31 December 2019 | **3,700,000** | **1,040,643** | **427,950** | **5,168,592** |
| Inputs | - | 210,127 | 191,995 | 402,121 |
| Interest and exchange rate differences | 233,787 | 169,165 | 72,635 | 475,587 |
| Leasing payments | (849,024) | (432,778) | (326,314) | (1,608,115) |
| On 31 December 2020 | **3,084,763** | **987,157** | **366,264** | **4,438,185** |

| Rights of use | Offices | Equipment | Cars | Total |
|---|---|---|---|---|
| On 1 January 2020 | 4,213,706 | 1,297,617 | 587,689 | 6,099,013 |
| Inputs | - | 30,116 | 82,069 | 112,185 |
| Depreciation | (754,694) | (323,978) | (237,718) | (1,316,389) |
| On 1 January 2020 | **3,459,012** | **1,003,756** | **432,040** | **4,894,808** |
| Inputs | - | 210,127 | 191,995 | 402,121 |
| Depreciation | (754,694) | (345,707) | (243,813) | (1,344,213) |
| On 31 December 2020 | **2,704,319** | **871,188** | **427,571** | **4,003,078** |

## NOTE 25. TRADE LIABILITIES AND OTHER LIABILITIES

Trade and other liabilities are detailed in the following table:

| | 31 dec 2020 | 31 dec 2019 |
|---|---|---|
| Suppliers | 24,337,554 | 24,792,468 |
| Employed debts | 363,152 | 254,420 |
| Other liabilities | 307,748 | 5,967,052 |
| **Total financial liabilities** | **25,008,454** | **31,013,941** |
| Advances to customers | 371,401 | 113,150 |
| VAT | 1,577,553 | 2,844,412 |
| Other budget liabilities | 192,327 | 159,334 |
| | 1,595,678 | 1,738,283 |
| **Total, of which:** | **28,745,411** | **34,130,836** |
| Long-term liabilities | - | - |
| Current liabilities | 28,745,411 | 34,130,836 |

## 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:

| | 2020 | 2019 |
|---|---|---|
| Management contracts | 839,317 | 580,713 |
| SOP Expenses | 697,223 | 670,597 |
| Total | 1,536,540 | 1,251,310 |

On 31 december 2020 , liabilities according to management contracts are 52,093 LEI (31 decembrie 2019: zero)

| Receivables and loans | 31 dec 2020 | 31 dec 2019 |
|---|---|---|
| Equatorial Gaming - loan | - | 1,050,000 |
| Equatorial Gaming - receivables | | 358,049 |
| Total | | 1,408,049 |

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.<br>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.