

BITTNET SYSTEMS SA

INDIVIDUAL FINANCIAL STATEMENTS

**In accordance with Order of the Minister of
Public Finance no. 2844/2016 with subsequent
amendments,
for 6 months ended on June 30, 2021**

The financial statements from page 3 to page 27 were approved and signed on August 20, 2021.

Mihai Logofatu
CEO

Adrian Stanescu
CFO

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Comprehensive Income Statement

	<u>30 June 2021</u>	<u>30 June 2020</u>
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Revenue from customers	6.262.678	9.163.508
Sales costs	(3.555.814)	(4.462.857)
Gross margin	<u>2.706.864</u>	<u>4.700.651</u>
Other income	88.243	344.475
Selling expenses	(1.528.398)	(789.835)
General and administrative expenses	(1.995.220)	(2.427.819)
Profit/(loss) – Equity Method Holdings	448.033	-
Interest income	4.014.345	1.005.015
Financial expenses	(1.370.833)	(1.470.435)
Gross profit	<u>2.363.034</u>	<u>1.362.052</u>
Income tax	(339.050)	(439.001)
Net profit	<u>2.023.984</u>	<u>923.051</u>

STATEMENT OF FINANCIAL POSITION

	30 June 2021	31 December 2020
ASSETS		
Fixed assets		
Goodwill	7.110.168	6.754.285
Tangible fixed assets	488.654	2.028.827
Equivalent titles	22.473.023	20.949.754
Other financial assets	19.954.785	21.386.336
Deferred tax	-	-
Total fixed assets	50.026.629	51.119.201
Current assets		
Inventories	183.478	24.420
Comercial and other receivables	6.535.197	6.460.500
Financial assets	4.409.338	1.459.700
Cash and cash equivalents	14.714.433	11.610.034
Total current assets	25.842.446	19.554.654
TOTAL ASSETS	75.869.075	70.673.855
EQUITY AND DEBT		
Share capital	48.043.690	26.443.139
Issue premiums	14.542.953	25.409.965
Other equity items	(17.781.183)	(19.893.997)
Reserves	442.477	369.599
Reported result	411.845	(1.539.261)
Total equity and reserves	45.659.782	30.789.445
Long-term debt		
Bonds	24.044.334	28.357.324
Long term loans	652.481	1.154.210
Leasing	673.476	2.898.659
Deferred income tax liabilities	85.331	-
Long term debt	25.455.621	32.410.193
Current debts		
Bonds	872.768	889.781
Long term loans	946.084	943.643
Leasing	459.358	1.335.139
Profit tax liabilities	375.373	213.392
Comercial and other payables	2.100.089	4.092.262
Total current debts	4.753.671	7.474.217
Total debt	30.209.293	39.884.410
EQUITY AND DEBT - TOTAL	75.869.075	70.673.855

CASH FLOW STATEMENT

	For 6 months	
	30 June 2021	30 June 2020
Gross Profit	2.363.034	1.362.052
Adjustments for:		
Depreciation expenses	377.739	263.516
Expenses on assigned assets	(5.544)	-
Benefits granted to employees – SOP	401.249	873.241
Interest expenses and other financial costs	1.396.441	1.500.309
Interest income and other financial income	(655.233)	(596.002)
Earnings from investments	(2.511.393)	-
Equivalent titles	(448.033)	244.983
Operating profit before working capital change	918.259	3.403.117
Variation of receivables account balances	1.643.324	475.282
Variation of stock account balances	(159.059)	205.816
Variation in debt account balances	(1.992.173)	(2.728.660)
Cash generated from operation	410.351	1.355.555
Profit tax	(91.737)	(18.544)
Net cash from operating activities	318.614	1.337.011
Investment activities:		
Payments for the purchase of participation interests	(1.460.318)	-
Loans granted to related entities	(240.000)	-
Acquisitions of tangible and intangible assets	(66.676)	(244.158)
Proceeds from other financial investments	(438.245)	-
Dividends received	385.082	-
Interest received	961.182	49.962
Net cash from investment activities	(858.975)	(194.196)
Financing activities:		
Proceeds from the issue of shares	10.412.024	8.853.597
Sale of own shares	166.200	-
Repayments of bank loans	(499.288)	(316.806)
Receipts / repayments from the bond issue	(4.500.000)	-
Payments of debts related to financial leasing	(707.733)	(703.037)
Interest paid	(1.226.445)	(1.391.890)
Paid dividends	(39.266)	-
Net cash from financing activities	3.644.758	6.441.863
Net increase in cash and cash equivalents	3.104.397	7.584.678
Cash and cash equivalents at the beginning of the financial year	11.610.034	10.351.661
Cash and cash equivalents at the end of the financial year	14.714.432	17.936.339

SITUATIA MODIFICARILOR IN CAPITALURILE PROPRII

	Capital social	Prime de emisiune	Alte elemente de capitaluri proprii	Rezerve legale	Rezultat reportat	Total capitaluri
31 dec 2020	26.443.139	25.409.965	(19.893.997)	369.599	(1.539.361)	30.789.445
Profit net	-	-	-	-	2.023.984	2.023.984
Alte elemente ale rezultatul global	-	-	-	-	-	-
Total Rezultat global	-	-	-	-	2.023.984	2.023.984
Tranzactii cu actionarii	-	-	-	-	-	-
Majorari de capital social	21.600.551	(10.867.013)	(321.515)	-	-	10.412.024
Tranzactii actiuni proprii	-	-	2.033.080	-	-	2.033.080
Beneficii acordate angajaților SOP	-	-	401.249	-	-	401.249
Repartizare rezerva legala	-	-	-	72.879	(72.879)	-
30 iunie 2021	48.043.690	14.542.953	(17.781.183)	442.477	411.845	45.659.782
	Capital social	Prime de emisiune	Alte elemente de capitaluri proprii	Rezerve legale	Rezultat reportat	Total capitaluri
31 dec 2019	11.620.321	0	1.118.923	296.720	(398.234)	12.637.730
Profit net	-	-	-	-	923.051	923.051
Alte elemente ale rezultatul global	-	-	-	-	-	-
Total Rezultat global	-	-	-	-	923.051	923.051
Tranzactii cu actionarii	-	-	-	-	-	-
Majorare de capital social	11.284.651	982.966	(321.115)	-	(3.092.905)	8.853.597
Beneficii acordate angajaților SOP	-	-	873.241	-	-	873.241
Repartizare rezerva legala	-	-	-	-	-	-
30 iunie 2020	22.904.973	982.966	1.671.049	296.720	(2.568.089)	23.287.619

NOTA 1. GENERAL INFORMATION

Operational activities

The financial statements includes the unconsolidated financial information of Bittnet Systems (the “Company” or the “Issuer”), with its registered office in Str. Soimus no. 23, bl 2, ap. 24, Sector 4, Bucharest. The company owns the following subsidiaries registered in Romania:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Branches - % ownership		
Dendrio Solutions	100%	100%
Elian Solutions	51.02%	51.02%
Equatorial Gaming	98.99%	98.99%
Equatorial Training, through Equatorial Gaming	100%	100%
MINORITY INTERESTS		
Softbinator Technologies	25%	25%
E-Learning Company	23%	-

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

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

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

In 2016, the company created a new area of expertise by introducing consulting and migration services in the cloud. As a result, Bittnet has launched a series of actions dedicated to customers strictly for this range of services, targeting a new group of customers, with a slightly different profile.

During 2017, the company continued to invest in increasing and diversifying AWS and Azure specific technical skills in order to meet the requests received. From April 2018, the new structure of the Company was adopted and the business structure of Bittnet Group was reorganized into two key divisions: Education and Technology.

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

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

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

Starting with June 2020, Bittnet shares (simbol BNET) are listed on the Bucharest Stock Exchange Main Market.

The management of the Company

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

- 1) **Ivylon Management SRL** through **Mihai Alexandru Constantin Logofatu**. At the date of this Note, Mihai Logofatu holds 48,955,075 BNET shares, which represents 12.3760% of the share capital and voting rights. Mihai Logofatu is the co-founder of Bittnet Systems.
- 2) **Cristian Ion Logofatu**, which holds a number of 44,546,425 BNET shares, which represents 11.2615% of the share capital and of the voting rights. Cristian Logofatu is the co-founder of Bittnet Systems.

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

- 3) **Anghel Lucian Claudiu** – independent administrator, who holds a number of 3,096,000 BNET shares of the Issuer and percentage of 0.7826% of the voting rights.

The operational management of Bittnet Systems is provided by: Mihai Logofatu - CEO and co-founder and Adrian Stanescu - CFO, together with Cristian Herghelegiu - VP Technologie, who joined the executive team with the acquisition of Gecad Net - and Dan Berceanu, VP Educatie. The 4 people are identified as key management from the IFRS perspective. Starting with 2012, after attracting the capital infusion from Razvan Capatina, Bittnet built an Advisory Board, composed of people with a special reputation due to their rich entrepreneurial and managerial experience: Sergiu Negut, Andrei Pitis and Dan Stefan. Starting with 2020, the Advisory Board was transformed into the Strategic Development Committee with the same component. Starting with 2019, Mr. Herghelegiu is VP for Technologies and Mr. Berceanu is VP for Education. The advisory board meets at least 4 times a year, internal management reports are presented to it, and board members assist and guide the Company's management in strategic decisions. The experience of the members of the advisory board has been a real support in the development of the Company in the last 4 years and Bittnet continues to rely on their support in the face of new challenges.

NOTA 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

The unconsolidated reporting for the 6-month period ended June 30, 2021 has been prepared in accordance with IAS 34 for "Interim Financial Reporting". This report does not include all information and disclosures that would be required in a complete set of IFRS financial statements and should be read in conjunction with the 2020 annual financial statements.

The Company has applied the same accounting policies and valuation methods in the interim reporting as for the annual financial statements. There are no significant implications for amendments to IFRS 16 on Leasing Concessions. There are a number of standards, changes to standards and interpretations issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt in advance. The Company is currently assessing the impact of these new accounting standards and changes, but does not anticipate a significant impact.

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

Essential reasoning

- Income recognition - main/agent relationship;
- Bittnet brand recognition;
- Recognition of the loyalty program for employees/collaborators by offering actions in Stock Option Plans (SOP)

Estimates and assumptions

- the fair value measurement of financial assets held for sale;
- Evaluation of the consideration related to the loyalty program of employees/collaborators by offering shares - "SOP";
- Evaluation of adjustments for impairment of receivables.

NOTA 3. SIGNIFICANT EVENTS AND TRANSACTIONS**Economic context**

The event that marked the year 2020 is the global pandemic of Covid-19, and the restrictions on movement and activity ("lockdowns") imposed by governments in all parts of the world, significantly affecting some industries. This situation could generate a liquidity crisis, as a result of the fears of consumers and companies on the subject of a future recession or economic crisis. However, it seems that the monetary measures taken by governments and central banks have given enough confidence to the business environment that a 'credit crunch' will not occur.

The company carefully monitors liquidity indicators - conversion of receivables into cash, turnovers with customers and suppliers, etc. Certainly, for 2021, the element that can have the greatest negative influence on the smooth running of the Company's business is (as we wrote in the analysis of the impact of Covid-19 published at the time of the "first wave" - from Q1 2020) the reaction of governments to the global pandemic. Thus, so far it seems that the scenario we are operating with is the scenario of a "second wave" in the "global pandemic" crisis. The alternative, which still exists as a systemic risk but also perpetuated during 2021, is the scenario "pandemic plus economic crisis".

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

As for any other company, the Society was a period full of intensified efforts and adaptation to the new reality of work. Most of the activities have been moved to the online space (virtual live), since the first days of March 2020, the company continues to deliver training sessions to clients in Romania and to the international market.

At the same time in the technology division the activities that could not be delivered through digital channels were delivered taking into account all the protection measures recommended by the authorities. Thus, all the promises to the clients were kept and no delivery delays were registered, but perhaps the most important thing is that the Company managed to protect the health of the team members.

Income cyclicity / seasonality

Historically, given the seasonality of budgets and spending patterns in the IT&C sector in Romania and globally, Bittnet's most significant results have always been recorded in the last months of the year, more precisely in the 4th quarter of each year. We mention this aspect because during the whole period we were listed on AeRO, we published only half-yearly results, and investors did not have the opportunity to fully understand our performance from one quarter to another. As a guide, in the history of the Company, the results of the first nine months represented approximately 60% of the turnover of the year, and in the 4th quarter, approximately 40%. This is due to the specifics of our customers, large, very large and even giant companies, which operate with annual budgets.

Transfer to the Main Market of the Bucharest Stock Exchange

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

BNET shares inclusion in BSE indices: BET-XT, BET-XT-TR, BET-BK, BETPlus

On September 10, 2020, Bittnet informed investors about the decision of the Bucharest Stock Exchange Indices Commission, meeting on September 9, 2020, to include the Company's shares in the BVB indices: BET-XT (Bucharest Exchange Trading Extended Index), BET -XT-TR (Bucharest Exchange Trading Extended Total Return Index), BET-BK (Bucharest Exchange Trading Benchmark Index) and BET-Plus (Bucharest Exchange Trading Plus Index). The entry into force of the changes in the component of the respective indices took place starting with September 21, 2020. The

inclusion of BNET shares in the BET-XT, BET-BK and BET-Plus indices was based on indicators such as liquidity, stock market capitalization and free-float. and confirms the evolution of market value and Bittnet liquidity.

NOTA 4. REVENUES FROM CUSTOMER CONTRACTS

Revenues from customer contracts are detailed in the following table:

	6 months:	
	30 June 2021	30 June 2020
Training services	4.565.458	7.264.971
IT solutions integration services	354.831	814.971
Revenues from the provision of services	4.920.289	8.079.942
Selling goods integrating IT solutions	812.101	651.293
Resold licenses	530.288	432.273
Sale of goods	1.342.389	1.083.566
Total	6.262.678	9.163.508

Training services

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

IT solutions integration services

The IT solutions provided by the Company include: general consulting services, IT evaluation services, implementation and migration services, maintenance and support services, infrastructure optimization services. The integrator business involves providing solutions and services starting with the initial analysis, design, implementation and testing phase that results in turnkey projects for companies with different IT needs. In general, revenues are recognized at a specific time, at the end of the implementation as a result of the fulfillment of the execution obligation.

Revenues from the sale of goods and licenses

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

Income from a geographical perspective

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

NOTA 5. CLASSIFICATION OF EXPENSES BY NATURE

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

	6 months:	
	30 June 2021	30 June 2020
Materials and goods	837.097	1.437.387
Resold licenses	409.244	372.780
Staff expenditure	916.017	1.250.087
Expenses with collaborators	1.681.694	1.293.345
Amortization	377.739	263.516
Cloud services	196.282	301.951
Rent	613	62.908
Commissions and fees	99.669	78.725
Marketing	507.024	179.509
Travel and transportation	2.684	1.534
Insurance	15.239	39.148
Postal and telecommunications	22.682	22.364
Donations	57.191	6.968
Receivables adjustments	-	-
Bank charges	18.447	15.561
Services provided by third parties	1.857.860	2.079.875
Other expenses	79.951	274.852
Total operating expenses	7.079.432	7.680.510

NOTA 6. TITLES OF PARTICIPATION

	30 June 2021	31 Dec 2020
Filiale		
Dendrio Solutions	7.266.254	7.266.254
Elian Solutions	510.000	510.000
Equatorial Gaming	4.646.000	4.646.000
Titluri cu participare minoritara		
Softbinator Technologies	8.875.556	8.527.500
E-Learning Company	961.195	
Altele	214.017	
Titluri la valoarea justa		
Safetech Innovations	1.983.798	1.459.700
Arctic Stream	2.425.540	
Total	26.882.361	22.409.454

Filiale

Dendrio Solutions - CUI 11973883

During 2017, Bittnet acquired GECAD NET from entrepreneur Radu Georgescu. In the first half of 2018, GECAD Net was renamed Dendrio Solutions. Dendrio is the only integrator of hybrid "multi-cloud" solutions in Romania, having a consolidated position as a company certified by the most important IT providers in the world, focusing on cloud and IT security. The IT solutions provided by Dendrio include: general consulting services, IT assessment services, implementation and migration services, maintenance and support services, infrastructure optimization services and

IT training services. The company is the only "hybrid multi-cloud" integrator in Romania, consolidating its position as a certified company by the most important IT providers in the world, focusing on cloud and cybersecurity. In December 2018, Bittnet acquired the IT&C integration activity of Crescendo International SRL, a company with 25 years of experience in Romania and on foreign markets. Crescendo's IT&C division has been integrated into Dendrio and, as a result of the merger, the company benefits from a more stable business structure, extensive staff resources, as well as an extensive portfolio of customers, products and services..

Elian Solutions - CUI 23037351

In 2018, Bittnet acquired a majority stake in the company that provides ERP solutions, Elian Solutions. Elian completed the offer of IT integration services by adding ERP solutions in the Company's portfolio. Elian Solutions specializes in providing implementation services for Enterprise Resource Planning (ERP) solutions, Microsoft Dynamics NAV. Elian is the only partner who holds a Gold Certificate for this solution from Microsoft in Romania. The solution implemented by Elian allows companies to know the situation of stocks, receivables and debts, to be able to forecast, inter alia cash flow, to track production, cost centers and much more..

Equatorial Gaming - CUI 30582237

In 2018, Bittnet acquired a significant stake in the game-based learning company, Equatorial Gaming. Following the acquisition, Equatorial's activities were integrated into the Education division. In August 2020, Bittnet activated the option to convert the 1,050,000 lei loan granted in 2018 to Equatorial Gaming, the equivalent of 20.1% of the share capital. In November 2020, Bittnet shareholders approved the purchase of a number of registered shares representing 60.3665% of the share capital of Equatorial Gaming SA. Following these operations, Bittnet Systems reached a holding of 98.99% of the share capital of Equatorial Gaming SA.

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

Securities with minority participation**Softbinator Technologies**

In December 2020, the Bittnet Group acquired a 25% stake in Softbinator Technologies, the group's first investment in a software development company. The investment was accounted for using the equity method from the date it became an associate, respectively in December 2020. In applying the equity method, the financial information was used on December 31, 2020. Softbinator is a product development company, specialized in the design, development and launch of software products mainly in the fields of Fintech, MedTech / HealthTech and EdTech for customers in Europe, North America and Asia, in which the Bittnet group became a shareholder in December 2020. Softbinator is involved in the development of software products, web and mobile solutions for digitizing the education process, lifestyle / medical and health, e-payments, e-commerce, online gaming and has ticked in 2020 areas unexplored in previous years through digital banking (including crypto), the Internet of Things (IoT), Automotive and explored a new vertical in e-commerce expertise: marketplaces.

The E-Learning Company

In January 2021, the Bittnet Group acquired a 23% stake in E-Learning Company. The investment was accounted for using the equity method from the date it became an associate, respectively in January 2021. In applying the equity method, the financial information was used on January 31, 2021. Following the entry of Bittnet Systems into the shareholding, the parties also signed a loan agreement by which the Issuer made available to The E-Learning Company the amount of 240,000 lei for financing the working capital for a maximum period of 3 years and an interest of 10 % per year. The E-Learning Company has a portfolio of solutions and various products structured in several directions covering areas such as personal and professional development, communication, sales and negotiation, marketing, human resources, project management, Microsoft Office, finance, English, etc.

Other financial assets (securities) at fair value**Safetech Innovations**

In October 2020, the Company's management invested in the private placement organized in order to increase the share capital of the cyber security company Safetech Innovations SA. The investment was made within the mandate that the executive management has according to the Articles of Association.

During the privat placement, Bittnet subscribed the maximum possible amount, respectively RON 2,500,000 for all the 625,000 Safetech shares offered (20% of the share capital). Bittnet's intention was to make a significant investment by entering the Safetech shareholding in a percentage relevant to Bittnet and to treat the investment in the same way as the others in the Group. Following the over-subscription of Safetech's offer almost 9 times, Bittnet was informed by the Intermediary (SSIF Tradeville) that a number of 72,895 SAFE shares were allocated to it, representing 2.3326% of Safetech's share capital, which made the value of the Bittnet investment to amount to RON 291,580.00.

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

To reevaluate the investment in SAFE as of December 31, 2020, Bittnet's management calculated and analyzed several market multiples, commonly used to evaluate listed IT companies (EV / Sales, P / Sales, EV / EBITDA, P / E, P / BV), both for Safetech and for the other companies listed in the IT area (apart from BNET), ie Life is Hard, Ascendia and 2Performant, as well as for other technology companies listed on foreign financial markets. In all scenarios and from the perspective of the market multiples for the listed technology companies, both on the Romanian capital market and on other financial markets, from the point of view of the valuation multiples, Safetech's share appeared undervalued in relation to the initial subscription price.

The company chose the model with the highest degree of prudence, which led to the revaluation of the investment in Safetech Innovations to the value of RON 1,459,700 on 31.12.2020. On 30.06.2021, the investment in Safetech Innovations shares was revalued using the average trading price on the AeRO market from 30.06.2021.

Arctic Stream

In June 2021, the Company's management invested in the private placement organized before the listing of Arctic Stream (AST) shares on the AeRO-SMT market. Arctic Stream is an IT integrator focused on the technologies of the American technology vendor Cisco Systems. Arctic Stream is a competitor of Dendrio Solutions on this market segment.

The investment was made within the mandate that the executive management has according to the Articles of Incorporation and will be submitted for ratification to the shareholders in the EGMS of September 7, 2021. Within the private placement, Bittnet subscribed the amount of RON 10 million, the intention being to make a significant investment by entering the Arctic Stream shareholding in a relevant percentage. Following the early closure of the placement on the first day and the massive oversubscription, the offer intermediary informed Bittnet that it had been allocated a number of 74,632 AST shares, which represents 1.78% of the share capital and 1.78% of the rights of vote. The value of the investment in Arctic Stream shares amounts to RON 1,865,800. On 29.07.2021, AST shares were listed on the BSE AeRO Market at a price approximately 40% higher than that of the private placement.

To reevaluate the investment in AST on June 30, 2021, Bittnet's management calculated and analyzed several market multiples, commonly used to evaluate listed IT companies (EV / Sales, P / Sales, EV / EBITDA, P / E, P / BV), both for Arctic Stream and for the other listed companies in the IT area (apart from BNET), ie Life is Hard, Ascendia, 2Performant, Safetech Innovations, and other technology companies listed in foreign financial markets. The company chose the model with the highest degree of prudence, which led to the revaluation of the investment in Arctic Stream at the value of RON 2,425,540 on 30.06.2021.

NOTA 7. EQUITY AND RESERVES

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

	30 June 2021	31 December 2020
Share capital	48.043.690	26.443.139
Issue premiums Legal reserves	14.542.953	25.409.965
Other equity items	(17.781.183)	(19.893.997)
Legal reserves	442.477	369.599
Reported result	(1.612.139)	(3.534.140)
Current overall result	2.023.984	1.994.879
Total	45.659.782	30.789.445

a) Share Capital

The share capital of the Company 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:

Actionari si % detinute	30 June 2021	31 Dec 2020
Mihai Logofatu	12.37%	13.35%
Cristian Logofatu	11.26%	12.15%
Other Shareholders	76.37%	74.50%
Total	100%	100%

Share capital increase new contributions in February - April 2020

According to the EGMS Decision no. 2 of April 24, 2019, the increase of the share capital with a number of 11,046,641 common BNET shares was approved. The increase operation started in Q1 2020, with the trading period of BNETR07 preference rights and then with the public offer (Stage 1 of the capital increase) based on the preference right.

Thus, in Stage 1 (the public offer) - held between March 5 and April 3, 2020 – 5,046,928 new shares were subscribed (45.69% of the total) at the price of RON 0.83 per share, by 189 privat and legal investors. In Stage 2 (private placement) the Company offered for sale the remaining 5,999,713 shares at the unit price of RON 0.831. The subscriptions were made by 51 natural and legal investors. During the two stages of the increase operation, all 11,046,641 BNET shares offered were subscribed, representing 100% of the total issue of new shares, the Company attract a cash contribution of RON 9,174,711.74.

Increase of share capital by incorporation of reserves in July 2020

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

Additionally, the share capital of Bittnet Systems was increased by issuing a number of 11 million shares free of charge for the benefit of shareholders from the date of registration (1 free share for every 10 held), according to EGMS Decision no. 3 of April 2020. Shareholders were able to choose online to make these new shares available to the Company for use in key incentive programs, approved by the GMS, in which case they receive a cash distribution equal to the nominal value of the new share. . Following this operation, the Central Depository charged to the

company's account a number of 9.2 million shares (registered as treasury shares), and in the accounts of shareholders who did not opt for cash distribution - 2 million shares, according to their option.

Increase of the share capital through debt conversion in December 2020

Based on the mandate conferred by the EGMS Decisions no. 4 and no. 5 from 26.11.2020, the Board of Directors signed two contracts for sale-purchase of shares, for the acquisition of participations in Equatorial Gaming and Softbinator Technologies and established the settlement between cash and BNET shares for each of the 2 transactions.

Thus, the total amount of investments in the 2 companies was RON 11,073,500, and the Board of Directors decided to pay the amount of RON 4,423,500 in cash and 6,650,000 in BNET shares. Following 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 Bittnet Systems decided to increase the share capital based on the mandate established by the GMS and the provisions of the Articles of Incorporation with the amount of RON 6,650,000 on account of receivables held on the Company by associates/shareholders of the two companies, Equatorial Gaming and Softbinator Technologies. During the capital increase operation, the shareholders of the 2 companies will be allocated shares to the Issuer as follows:

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

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

The number of newly issued shares was determined in accordance with the provisions of 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 the FSA Regulation no. 5/2018. Thus, the number of shares was established by dividing the receivable at the price of 0.6224 Ron/share - the adjusted average price of BNET shares between 13.12.2019 - 16.12.2020. The capital increase is made by raising the right of preference and based on the Decision of the Board of Directors no. 10 of 17.12.2020 and in accordance with the attributions delegated by the EGMS by Decisions no. 3 of 25.04.2018 and no. 1 of 17.12.2018, so that the newly issued shares can be allocated to the holders of the receivable (shareholders of the acquired companies).

The settlement of this 2 transactions through a mix of BNET and cash shares was approved in the EGMS of 26.11.2020, and the reason behind this model was to align the interests of the shareholders of the 2 companies in which Bittnet became a shareholder with Bittnet shareholders. Thus, the shares released as a result of the share capital increase by converting the certain, liquid and due receivable will be registered by the Central Depository in the global accounts of the 4 beneficiaries - proportional to the value of the certain liquid and due receivable they hold over the Company.

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

Share capital increase with new contributions: February - March 2021

Between January and March 2021, the offer period took place within the capital increase with new cash contributions approved by the EGMS Decision no. 4 of April 29, 2020. Thus, in Stage 1 - held between January 27 and February 25, 2021 - 17,359,142 new shares (95.49% of the total) were subscribed at the price of 0.59 lei per share. The offer price (composed of the nominal value plus the issue premium) was established according to the EGMS Decision and the formula approved by it for the issue premium: $[(\text{average trading price last 30 days}) / 1.2] - 0.1$.

The shares remaining unsubscribed during the offer period were offered for subscription within a pivotal placement (Stage 2) which was closed in advance due to the high interest and the small number of shares (819,408 shares remaining unsubscribed after Stage1). According to the law, the price from the private placement was higher than the price from Stage 1, respectively RON 0.60 per share.

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

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

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

b) Issue premiums

The issue premiums resulted from financing in capital increases operations can be used to increase the share capital in future.

c) Legal reserves

According to Law 31/1990, every year at least 5% of the profit is taken over for the formation of the reserve fund, until it reaches at least one fifth of the share capital. Reserves representing fiscal facilities cannot be distributed with implications on the recalculation of the profit tax.

d) Other equity elements**Essential reasoning - recognition and evaluation of SOP**

The company assessed from the perspective of IFRS 2 whether share-based payment transactions with employees (SOP) are settled in cash or by issuing shares. The Company settles the transactions by issuing to the optionholders a number of shares that are equivalent (at the market price) to the financial value of the option.

The capital increase is made by raising the preference right and based on the Board of Director's Decision. As a result, although at an intermediate stage the "debt" regarding the settlement of the SOP is assessed, the economic substance of the transaction is that they are settled in shares.

As a result, the Company recognized the SOP transactions as settled in shares, and recognized and valued the services received in the Statement of Income and the corresponding increase directly in equity.

Significant estimates - SOP evaluation

The company assessed from the perspective of IFRS 2 whether share-based payment transactions with employees (SOP) are settled in cash or by issuing shares. The Company settles the transactions by issuing to the holders of options a number of shares that are equivalent (at market price) to the financial value of the option. The capital increase is made by raising the preference right and based on the Administrator's Decision.

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

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

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

- spot price on the GMS date, i.e. adjusted average price for splits at t-1
- strike price (at the registration date) according to each stock option plan
- volatility, according to the analysis of the daily price of BNET shares, adjusted for splits
- risk-free interest rate, ROBOR12M published on t-1
- the number of shares of the company from the date of granting
- the dilution percentage from the Stock Option Plan

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

SOP 2018

By the Board Decision no. 7 / 18.08.2020 The Board of Directors of the Company decided to increase the share capital by issuing a number of 24,697,223 ordinary, registered, dematerialized shares, of equal value and with a nominal value of 0.1 lei each, on account of the receivable held over the Company. holders of options ("Key Persons") in accordance with the Key Incentive Plan - Stock Option Plan approved by the EGMS Decision 12 of 25.04.2018 and the option contracts and subsequent additional acts - hereinafter referred to as "SOP 2018" or SOP".

Thus the share capital increased by the amount of RON 2,469,722.30 , and the equity increased additionally by the amount of RON 11,758,361.13 – issue premiums. According to the incentive plan - SOP2018 - a total number of 47 persons received the right, without having the obligation, to purchase from the Company shares at a price per share equivalent to a capitalization of the Company as of 31.12.2017. Between 10.05.2020 - 10.06.2020 (maturity of the option), the key persons exercised the option, the Company having the option to repurchase shares on the market or to operate a capital increase by issuing to the holders of options a number of shares to equate (at market price) with the financial value of the option for option holders. The value of the option, which is the receivable from the Company, was certified by the extrajudicial accounting expertise report dated 17.08.2020.

The number of newly issued shares was determined in accordance with the provisions of 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 the FSA Regulation no. 5/2018. Thus, the number of shares was established by dividing the receivable at the price of 0.5761 lei / share - the adjusted average price of BNET shares between 14 August 2019 - 14 August 2020.

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

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

SOP 2019

By the EGMS Decision no. 4 of 24.04.2019, the Company's shareholders voted for an incentive plan with options for key persons with a duration of 2 years, amounting to a maximum of 5% of the Company's total shares. The maturity of the options was in May-June 2021, so that the key persons included in SOP2019 had the right (not the obligation) to purchase shares of the Issuer at the price related to the stock market capitalization from 31.12.2018. 29 key persons exercised the option to purchase a total number of 9,072,821 BNET shares at the price of 0.224084401 lei per share. Following this operation, the Company registered a receivable in relation to the key persons in the amount of 2,033,080 lei. The number of options exercised (9,072,821) represented 3.6698% of the Company's capital at the date of implementation.

The settlement method of the incentive program with options in this way is a first and could be implemented thus due to the treasury shares charged to the Company's account in December 2020. These shares were acquired by the Issuer following the implementation of EGMS Decision no. 3 of April 2020 and the special selection procedure carried out last summer. Through this, the shareholders from the registration date of July 21, 2020 could choose to receive the nominal value of the newly issued share and thus leave the share at the Issuer's disposal for the implementation of the incentive programs for the key persons.

SOP 2020A

By Decision no. 3 of the OGMS of January 29, 2020 were voted:

- the inclusion in the incentive plan with options of the key persons, with a number of options equal to 0.5% of the total number of shares, annually, of each member of the Board of Directors except for the chairman of the Board of Directors; and
- inclusion in the incentive plan with options of key persons, with a number of options equal to 0.75% of the total number of shares, annually, of the Chairman of the Board of Directors.

SOP 2020B

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

SOP 2021

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

NOTA 8. BONDS

Details on loans from bond issues are presented in the following table:

	<u>30 iun 2021</u>	<u>31 dec 2020</u>
BNET22	-	4.451.616
BNET23	4.661.869	4.647.795
BNET23A	9.540.798	9.491.246
BNET23C	9.841.667	9.766.667
Interest	<u>872.768</u>	<u>889.781</u>
Total:	<u>24.917.101</u>	<u>29.247.105</u>
Long term debt	24.044.334	28.357.324
Short term debt (interest)	<u>872.768</u>	<u>889.781</u>

The company carried out in 2016, 2017 and 2018 offers of bonds maturing in 2019, 2022 and 2023 through which it obtained from the capital market a 'committed' financing of over 30 million lei (all issues are listed on BVB). On April 2, 2021, Bittnet Systems notified the Market of the Decision of the Board of Directors dated 01.04.2021 for exercising the callback option for the early and full redemption of the BNET22 corporate bond issue. According to the Memorandum of admission to trading on the SMT-Bonds market of BVB, the redemption price of the BNET22 issue was 100% of the nominal value, and the registration date for identifying the bondholders whose instruments were redeemed was 06.05.2021. The effective payment date of the sums of money was set at 13.05.2021. Also, according to the BVB Code, BNET22 bonds were suspended from trading starting with 05.05.2021, and the last trading session of BNET22 was 04.05.2021. The redemption value of the BNET22 issue included interest as a coupon fraction calculated for a number of days equal to the time interval from the date of payment of the last full coupon (Coupon 14 of 15.03.2021) and until the date of actual payment of the nominal value of the issue redeemed, ie until 13.05.2021 inclusive. The management of the Company has taken the decision of early redemption of the BNET22 issue in order to reduce the financial expenses with interest.

NOTA 9. BANKING LOANS

Details banking loans:

	<u>30 June 2021</u>	<u>31 Dec 2020</u>
ProCredit credite TL	1.598.565	2.097.853
Total:	<u>1,598.565</u>	<u>2.097.853</u>
Long term debt	652.481	1.154.210
Short term debt	<u>946.084</u>	<u>943.643</u>

NOTA 10. INFORMATION REGARDING RELATIONS WITH RELATED PARTIES

Details on balances and related party transactions are set out below. The remuneration paid to the Key Management (identified in Note 1) is as follows:

	6 Months:	
	<u>30 June 2021</u>	<u>30 June 2020</u>
Management contracts	312.558	206.261
Stock Option Plan	240.913	208.307
Total	<u>553.471</u>	<u>414.568</u>

Debt	<u>30 iun 2021</u>	<u>31 dec 2020</u>
Key persons	52.093	52.093
Total	<u>52.093</u>	<u>52.093</u>

Creante si imprumuturi	<u>30 iun 2021</u>	<u>31 dec 2020</u>
E-Learning Company – imprumut principal	240.000	-
Total	<u>240.000</u>	<u>-</u>

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

NOTA 11. COMMITMENTS

Signing the lease agreement ONE Cotroceni Park

The Bittnet Group had its place of business in Bd. Timisoara, No. 26, Plaza Romania Offices Office Building, starting with 2017. The space was contracted in 2017 when the need for an office space was assessed taking into account the situation at that time, but also the growth prospects. These prospects were accelerated with the investments in Elian Solutions, as well as in the IT&C activity of Crescendo International, both materialized during 2018. On this occasion, the entire available space in the building where the activity was carried out was occupied.

At the beginning of 2019, the office area was extended by adding a space for temporary storage of goods, as well as an area dedicated to meetings with customers. At the end of the first quarter of 2019, the Elian Solutions team and the ex-Crescendo team were transferred to the new spaces.

In Extraordinary General Meeting of Shareholders of 26 November 2020, the approval of the shareholders was requested for the extension of the office space explaining:

- the current need of the expansion company in the context of the positive evolution in the period 2019-2020 and the growth prospects communicated to the shareholders for the period 2021-2024;
- the need to accommodate new teams resulting from the planned and announced acquisitions. Part of these M&A transactions were subject to the approval of the Extraordinary General Meeting of Shareholders of 26 November 2020 (Equatorial, IT Prepared, The E-Learning Company, Softbinator) and another part is subject to the approval of the Extraordinary General Meeting of Shareholders of 07.09.2021 (ISEC Associates, Computer Learning Center, TopTech, Nenos Software, Nonlinear), and in order to support this increase from "almost simple to double", the working space, meeting and collaboration of the teams, currently mostly virtual, must be completed with a tangible solution, in the field.

At the same time, the hybrid work models, which have appeared lately in all fields, have shown that the element of surprise must be taken into account. Obviously, with the new regulations regarding the working space (distance between persons), but also with the transactions proposed to the General Assembly, the need for an extended office space will become much greater than at present.

According to the mandate offered by the GMS to the General Manager at the meeting of 26 November 2020, the Bittnet Group negotiated with the suppliers present on the market an optimal solution for the current development plans.

Following negotiations with various representatives, a new lease agreement was signed with the company ONE United Properties for a space in the ONE Cotroceni Park (OCP) building, for a period of 5 years and having as starting date 1 February 2022. The previous lease agreement, concluded with Bucuresti Mall Development and Management Srl, was unilaterally terminated by Bittnet Systems starting with 31 May 2021.

The new office space of Bittnet and of the member companies in the group will be placed in the OCP building which is located next to the Academia Militara subway station. This project is part of the office area of the Vest-Center, the most dynamic business pool of the capital at present and the second largest in the market, after the North-Center area. With over 280,000 sqm of Class A offices delivered in the last three years and enjoying a special anchor, namely the Polytechnic University, the West-Center area is the new IT hub of Bucharest.

ONE Cotroceni Park is designed to certify LEED Platinum, focusing on sustainable operation and minimal impact on the environment. This project will also have WELL certification with the aim of enhancing the health and well-being of its occupants and therefore the productivity of people, their involvement and their retention at work.

Both the location and all the defining elements of the OCP project are in line with the organizational culture of our group, respectively they meet the specific requirements for attracting and retaining top human resources, a basic pillar for the business specificity of the group and of the IT industry in general.

Phase 1 of the project of which the future Bittnet offices are part will be delivered in the 4th quarter of 2021, which is why during the transition period a temporary rent contract was signed, with a duration of 6 months, the non-established working point being located in Bucharest, Str. Tudor Arghezi, nr. 8-10, Unimed Building, 1st Floor, Space TOF112, Sector 2.

NOTA 12. SUBSEQUENT EVENTS

I. Increase of share capital by reserves incorporation – July 2021

The share capital was increased by incorporating the reserves and the share premiums according to the Decision No. 2 of the Extraordinary General Meeting of Shareholders of April 2021 and the Decision of the Board of Directors dated July 6, 2021 and free shares were distributed: 6 new shares for every 10 shares held on the registration date – July 21, 2021. The operation was completed in July 2021 with the loading into the trading accounts of the shareholders of 148,336,965 shares.

Additionally, the share capital of Bittnet Systems was increased by issuing a number of shares free of charge for the benefit of the shareholders from the registration date (1 free share to 10 owned), according to the Decision No. 3 of the General Meeting of Shareholders of April 2021 and the Decision of the Board of Directors dated July 6, 2021.

For the actions from point 2, the shareholders from the registration date – July 21, 2021 – could opt online, between July 26 and August 3, to leave these new shares at the disposal of the Company to be used in the incentive programs for key persons, approved by the GMS, in this case collecting a cash distribution equal to the nominal value of the newly issued shares.

During the opt-in period, the Issuer received 325 options, from 325 shareholders representing a total of 167,393,769 voting rights, i.e. 67.70% of the total voting rights of the Issuer. From the expressed options, 210 shareholders representing 162,611,497 voting rights, i.e. 65.77% of the total voting rights opted for OPTION 1 – ie for cash distribution and leaving the newly issued shares at the disposal of the company. The Company distributed to these shareholders the amount of Ron 1,626,109.60 starting with August 4, through the Central Depository system, having as payment agent Banca Transilvania.

After the issuance of a new registration certificate (CIIF) by the FSA, the Central Depository shall allocate the shares in Section 1 to the shareholders from the registration date who have opted otherwise than for the cash distribution or have not taken any action during the opt-in period. At the same time, the Central Depository shall upload to the Issuer's account a number of 16,261,096 treasury shares.

In connection with the operations of increasing the share capital presented above, the Board of Directors (BD) issued a Decision on July 6, 2021 which established the keeping of the allocation report of 7 free shares to 10 held on the registration date according to the mandate granted by the General Meeting of Shareholders of April 27, 2021 by the EGMS Decisions no. 2 and 3. This decision was necessary considering that at the time of the convocation of the General Meeting of Shareholders, the coordinates of the capital increase with the free shares were applied to the entire share capital registered at that time in the Trade Register (ReCom) records – Ron 28,260,994.30, respectively 282,609,943 shares – values resulting from the processing of the capital increase operations decided in August 2020 and December 2020 and registered with ReCom since the end of 2020, but not yet completed with the FSA and the Central Depository.

In this respect, in order not to disadvantage any of the shareholders from the registration date (July 21, 2021), nor the creditors from the two capital increase operations, in order for them to receive the rights resulting from the holdings of BNET shares on the date of payment of the new shares, the Board of Directors decided, according to the mandate offered by the two EGMS Decisions, to keep the increase report established by EGMS, but applied for the number of shares registered with FSA and the Central Depository (247,228,275 shares).

Therefore, in the first phase, a number of 148,336,965 shares were issued (according to the Decision of the General Meeting of Shareholders No. 2/April 27, 2021) which were distributed to all the shareholders from the registration date, July 21, 2021, proportional to the holdings and to the decision of the EGMS (6 free shares to 10 held on the date of registration). The difference of 21,229,001 shares, up to a total of 169,565,966 shares, shall be distributed to the entitled persons after the registration of the 2 operations with FSA and the Central Depository (capital increase operations decided in August 2020 and December 2020).

The same principle was applied to the capital increase decided by the Extraordinary General Meeting of April 27, 2021, at point 3, noting that those creditors who are shareholders at the registration date, 21 July 2021, will be able to opt to leave the newly issued share at the disposal of the Company and receive in exchange its nominal value. As such, in the first phase, a number of 24,722,828 shares will be issued, proportional to the holdings of all shareholders from the registration date and according to the allocation report established by EGMS: 1 free share for each 10 shares, for which it was possible to opt for the cash distribution of the nominal value or for allotment in the Depository. The difference of

3,538,167 shares, up to a total of 28,260,995 shares, resulting from the application of the increase ratio on the entire capital registered in the Trade Register records, is to be distributed/allocated to the entitled persons after the registration of the 2 operations with FSA and the Central Depository (the capital increase operations decided in August 2020 and December 2020) and according to the options expressed during the opt-in period.

The Decision of the Board of Directors of July 6, 2021 was issued according to the mandate given to the Board of Directors of Shareholders in the EGMS of April 27, 2021.

At the date of publication of this Note, the Company is in the process of registering with the FSA / Central Depository two capital increase operations registered with the Trade Register – from August 2020 (according to the Decision of the CA no. 7/18.08.2020) and December 2020 (according to the Decision of the CA No. 10/17.12.2020). In the National Trade Register Office, the Company appears with a share capital composed of 480,436,904 shares after the processing of the capital increases according to the Decisions of the EGMS No. 2 and 3 of April 2021.

II. Bank loans

On July 23, 2021, the Addendum for the extension of the credit line – revolving overdraft amounting to Ron 4.5 million – contracted by Dendrio Solutions from ProCredit Bank in July 2019 was signed. The extension was made for a period of 24 months and under the same conditions with the initial credit agreement. The interest rate remained ROBOR3M + 2.4% p.a., and the destination of the product is to finance the working capital and the current activity of Dendrio Solutions.

On August 16, 2021, was signed the addendum for the extension of the credit line – revolving overdraft in the amount of Ron 2 million – contracted by Dendrio Solutions from ING Bank in November 2018. The extension was made for a period of 12 months – until August 2022 – under the same conditions as the initial agreement. The interest rate remained ROBOR1M + 2.9% p.a.

III. Investments**a) Signing an investment contract IT Prepared Srl**

On August 6, 2021, the Company informed the investors and the Market about the completion of the negotiations and the signing of the agreement for the takeover of a majority stake in the company IT Prepared Srl. The price of the transaction amounts to USD 673,200 for 50.2% of the share capital of the company and will be paid through a mix of cash and BNET shares in 3 instalments as follows:

- The first instalment, amounting to USD 265,200, was paid in Ron immediately after signing the share purchase agreement, by payment order to the two founding shareholders of IT Prepared;
- The 2nd and 3rd instalments, amounting to USD 265,200 and USD 142,800 respectively, shall be paid to the founders of IT Prepared by the settlement in BNET shares in a future operation to increase the share capital. The actual number of shares to be issued shall be determined in accordance with the provisions of Article 210(2) of Law 31/1990 and Articles 87-88 of Law 24/2017 on issuers of financial instruments and market operations and Article 174 of ASF Regulation no. 5/2018. The shares of BNET for each of the 2nd and 3rd instalments will be issued after the closing and approval of the Prepared IT Financial Statements for the years 2021 (2nd instalment) and 2022 (3rd instalment).

The transaction for taking over the majority stake in the company IT Prepared Srl was approved by the Shareholders in EGMS on November 26, 2020. Considering that the financial and operational situation of IT Prepared Srl changed between the time of approval granted by EGMS and the time of signing the investment agreement, the parameters of the transaction were renegotiated for the benefit of Bittnet, the final evaluation being halved (thus Bittnet took over the majority package), and the payment will be dependent on the confirmation of positive operational results in 2021 and 2022.

b) Signing an investment contract Nenos Software Srl and Nonlinear Srl

On August 10, 2021, Bittnet informed the capital market regarding the completion of the negotiations and the signing of the contract for the takeover of the majority shares in the software developer Nenos Software Srl and in Nonlinear Srl. The value of the transaction amounts to Ron 4,850,000 for 60.97% of Nenos Software, a price settled in two instalments, as follows:

- 50% of the transaction price (i.e. the amount of 2,425,000 lei) was paid by bank transfer to the account of the sole associate of Nenos Software;
- 50% of the transaction value will be settled by allocating Bittnet shares to the sole shareholder of Nenos Software, which will be completed by a capital increase. The actual number of shares to be issued shall be determined in accordance with the provisions of Article 210(2) of Law 31/1990 and Articles 87-88 of Law 24/2017 on issuers of financial instruments and market operations and Article 174 of FSA Regulation no. 5/2018.

For the acquisition of 60% of the company Nonlinear Srl, the transaction price is Ron 120 and is equal to the nominal value of the assigned shares. Nonlinear had in 2020 a turnover of Ron 392,442 and a net profit of Ron 115,018, with 4 programmers employed.

Nonlinear signed in 2021 a financing agreement for the development of a digitization product, intended for SMEs and micro-enterprises, which will allow the HR automation, accounting, invoicing processes, etc. The product is a no-code platform, in which the automation of processes can be made by employees without programming knowledge. The non-reimbursable financing is 1.5 million EUR, with own contribution of 0.5 million EUR.

By taking over the majority shares in Nenos Software Srl and Nonlinear Srl, Bittnet consolidates its position in the software development division, entering at the same time the artificial intelligence sector. The two M&A transactions will be subject to the ratification of the Extraordinary General Meeting of Shareholders on September 7, 2021.

c) Signing of investment agreements with ISEC Associates and Computer Learning Center

On August 20, 2021, the Issuer informed the investors about the signing of the share sale-purchase agreements for the takeover of the cyber security company – ISEC Associates Srl and of the IT training company – Computer Learning Center.

The value of the transaction for the purchase of 69.99% of the shares of ISEC Associates amounts to Ron 295,000, amount which will be paid in a single cash payment to the founding shareholder, Alexandru Andriescu. Also, according to the agreement and subject to the approval by the shareholders, Bittnet will grant loans to ISEC or guarantees for accessing loans in the total amount of EUR 241,000 in the next two years for the development of the company's business. ISEC Associates is a company founded in 2003, specialized in complete security auditing, consulting and testing services. ISEC helps companies identify, assess, secure and manage information security. By acquiring ISEC, Bittnet increases its position on the cyber-security market.

The purchase price for 100% of the Computer Learning Center (CLC) company is RON 725,000, amount to be paid in 2 instalments: The first instalment amounting to Ron 225,000 shall be paid in cash within 3 days from the signing of the contract, and the 2nd instalment – amounting to Ron 500,000 is conditioned by the removal from the CLC patrimony of the assets that are not relevant to the current activity of the company. In addition, Bittnet intends to provide CLC with loans or guarantees for accessing loans in the amount of EUR 420,000 over the next two years. By acquiring CLC, a former competitor, Bittnet Group consolidates its Education division and expands its certification portfolio, especially in the cyber security sector. The company collaborates with over 30 certified trainers and has delivered over 2,500 courses to 15,000 participants in recent years.

The two M&A transactions will be subject to the ratification of the Extraordinary General Meeting of Shareholders on September 7, 2021.

d) Entry into the shareholding of Chromosome Dynamics S.A. (CHRD)

In August 2021, the Company's management decided to invest with Impetum Group in a company that aims to develop IT and artificial intelligence solutions for customers in the agribusiness industry, according to the partnership announced at the end of 2019. Bittnet's contribution to the share capital of Chromosome Dynamics amounts to Ron 150,000 for 1.5% of the shares and 1.5% of the voting rights of CHRD, including the share premiums.

Chromosome Dynamics achieved a turnover of almost 1 million RON in 2020 and 2.5 million RON on June 30, 2021; The company develops solutions oriented towards the needs of farmers in order to technologize the processes. CHRD is the developer of the application AGROBAZAR APP, which models the process of consultancy-sale-purchase in agribusiness, representing a one stop shop for farmers in Romania. The application provides farmers with consultancy in agribusiness, agricultural machinery and inputs – seeds, pesticides, fertilizers with over 10,000 active users so far.

The company announced its intention to carry out a private placement of shares in Q4 2021 in order to list the Bucharest Stock Exchange on the AeRO-SMT market. After the placement, and according to the investment agreement, Bittnet Group will have the first option to deliver technology projects with CHRD.

IV. Convening the Bittnet Extraordinary General Meeting of Shareholders (EGMS) for September 7, 2021

On July 30, 2021, Bittnet Systems published the Notice to attend the General Meeting of Shareholders for September 7, 2021. Among the items on the agenda subject to ratification/approval of shareholders, there are M&A transactions with companies in which Bittnet targets majority shareholdings: TopTech, Computer Learning Center, ISEC Associates, Nenos Software and Nonlinear, as well as the investment made in the private placement of Arctic Stream (AST) shares, as well as a general mandate for the management of the company to be able to make investments with a cumulative value of up to 200 million RON, until December 31, 2025.