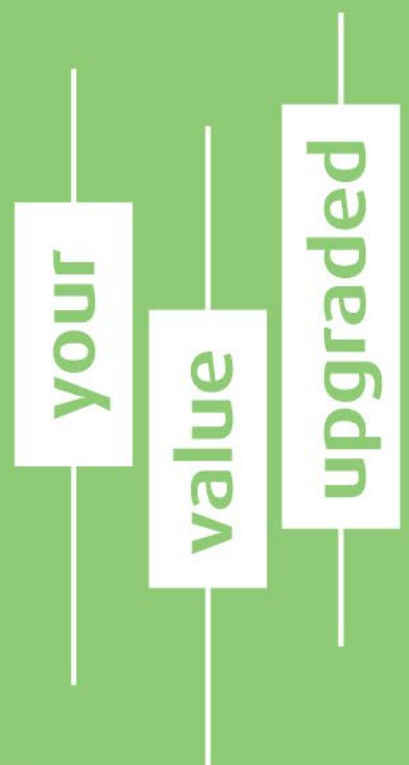


# bittnet

group

## BNET Report

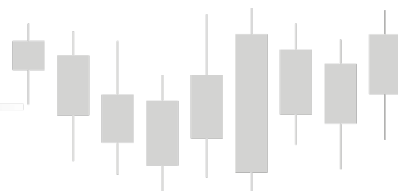
### Q3 2021



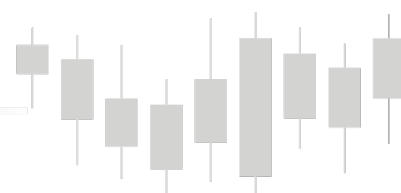
Quarter 3 report according to

ANNEX no. 13 to the ASF REGULATION no.  
5/2018

For the financial year	01.01.2021 - 30.09.2021
Report date	12/11/2021
Name of the company	BITTNET SYSTEMS S.A.
Registered office	Str. Șoimuș nr. 23, bl 2, ap. 24, Sector 4, București
Mail address/operating premises	Impact Hub Universitate, Str. Tudor Arghezi nr. 8-10, București
Telephone/fax	021.527.16.00 / 021.527.16.98
Unique registration code at the Trade Register Office	21181848
Trade Register registration number	J40/3752/2007
The regulated market on which the issued securities are traded	The Regulated Market managed by the Bucharest Stock Exchange, Standard category
Paid-in and subscribed share capital	RON 48,043,690.40
The main characteristics of securities issued by the company	480,436,904 shares at the nominal value of RON 0.10 per share
Trading Symbol	BNET – shares, BNET23, BNET23A, BNET23C – bonds
ISIN code	ROBNETACNOR1
Contact	<a href="mailto:investors@bittnet.ro">investors@bittnet.ro</a>



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## Message from the CEO

Over the 9-month period ended on September 30, 2021, our group recorded operational revenues of RON 85,4 million, which represents an increase 9.6% compared to the same period of last year. According to the model already known of operational leverage, it generated an increase of 20.1% of the gross margin, up to RON 17.8 million. The operating profit for the period is RON 6,18 million, 79% higher than in the same period of 2020. The operating result increased by RON 7.5 million (an increase of 270% in the module) and we saw an improvement by RON 958K (a tripling) in the results brought by the companies where we have minority shareholdings, which generates a gross profit of RON 10.77 million for the period (and a net profit of RON 9.75 million), i.e. an increase of almost 13 times compared to the same period of 2020.

If we review the "trailing twelve months" perspective, the total income and gross margin decreased slightly (from 120.5 to 117.1 million in the case of income and from 25.1 to 24.45 million in the case of gross margin) and the reduction of almost RON 1 million in financial costs, related to the financial profit increased by RON 8 million generates a gross profit of RON 13,1 million for the last 12 months.

At the date of publication of this report we are in the middle of the 4th quarter, which brings (on average, traditionally) 40% of the turnover. The fact that in the first 9 months of the year we have almost generated the budgeted profit for the entire 2021 did not lead to a slowdown of the activity, but on the contrary, "the match continued until the last minute", as our purpose was to enjoy the results of the transformation of the operational models implemented throughout this year.

In light of these results, I would like to bring back to the investors' attention some elements that can help to better understand our activity:

1. The on which the annual BVC is built starts from the assumption that during the current period we will "work" harder than the previous year to achieve the same gross margin (i.e. the gross margin expressed as a percentage of turnover will decrease compared to the past period). This puts pressure on the team to generate increasing revenue in order to record an increase in gross margin. Instead, if sales to customers have more value-added services attached to them during one period, or we record increased operational efficiency, the group will generate a higher gross margin than estimated, even if revenues are not necessarily higher. **Gross margin is what generates operational profitability.**
2. The team structure and the operating model of the group generates a leverage ("multiplier") for gross margin as compared to revenue. Thus, as we can see now, an increase of less than 10 percentage points in revenue generates a double increase in gross margin (a 20 percentage point increase in gross margin), **which is the key element to generate operational profitability.**
3. The delivery terms and availability of the technology manufacturers have stabilized at the values we are used to, even if they are much higher than before the semiconductor crisis (120 -150 days compared to 30-45 days). This means that currently invoiced revenues have started to 'catch up' with estimates. In other words, looking ahead, we expect that at some point to see a sudden increase in revenues in a given quarter or two, when equipment deliveries will return to 'normal' lead times. In contrast, it seems that the equipment delivery situation has been stabilised by the manufacturers, so there should be no further 'breaks' in revenue, caused by delayed deliveries. A return to normal lead times is forecast to happen in 2023 at the earliest.
4. More importantly, these delays of the manufacturers not only affect Bittnet's ability to generate sales, but also the ability of the manufacturers themselves. Thus, the entire ecosystem of technology partners is working hard to offer alternative solutions to customers - be it additional services or software upgrades to existing equipment. Thus, our revenues now have a stronger



service or product component with higher gross margins, driven by the manufacturers themselves.

In difficult times you can see the value brought by a professional management and an organisational culture that keeps the team focused on finding solutions to seemingly impossible problems. Even though we have been operating for over 18 months in an unfavourable economic environment (initially the Covid-19 crisis, then the economic downturn caused by government measures, then the drop in demand for one of the group's core products – training in the classroom, then the semiconductor crisis), and the entire organisation has faced many challenges, financial stability has allowed us to composedly build the new operating model from which we begin to reap the rewards.

On an operational level, for the Technology Division, Q3 was a period of growth in terms of both turnover and gross margin generated and profit. The growth in financial indicators is also reflected in higher activity at team level – including in the area of IT and ERP services –with over 700 projects implemented in this quarter. In this respect, we can say that at division level and implicitly at company level (Dendrio and Elian) the seasonality in the first 3 quarters was close to the pre-pandemic seasonality. It is important to note that we have thus managed to recover the drop in revenue recorded in the first 6 months, but moreover, we have managed to accelerate the margin growth generated in these three quarters.

The joining of ISEC, IT Prepared, but also Nenos and Nonlinear to the group (and to the Technology Division) will allow us to accelerate projects in areas of maximum interest to the market - cybersecurity, managed services, but also in areas with huge future potential such as artificial intelligence. Q3 is the first quarter in which these companies have become operational within the Group, which has resulted in increased attention to the integration of teams, the migration of IT tools and operational-financial processes, as well as the strengthening of the financial position of these companies. As a proof, both in the case of ISEC and CLC, the solid financial position of our group allowed us to approach the creditors of these companies and to propose them to pay in advance the debts of these companies, in exchange for a 65% reduction of these debts – a very profitable situation for us. Thus, ISEC and CLC start their journey within the Bittnet group with a much better financial situation, being able to focus on increasing their core business. The process of operational integration of the teams continues in Q4 and we will be able to consider them fully integrated only at the beginning of 2022.

Q3 2021 was atypical for the Education Division. While, traditionally, the activity in this quarter was significantly reduced due to the holiday period - both for our trainees and our trainers - this year, the activity was uninterrupted and we were able to recover much of the decrease of over 20% compared to 2020, recorded at the end of the first two quarters of this year. Given that traditionally Q4 is our busiest quarter, we are confident that we will be able to exceed last year's result, marking the resumption of the growth that the Education Division recorded every year before the pandemic.

One of the main concerns for the second semester of 2021 is to develop and professionalise the team of internal trainers and collaborators. The fact that we now have a Training Manager for both technical and soft skills training has helped us to be able to build a significant part of the processes and procedures needed in the final stage of the Buyer Journey. In this way, in addition to improving the experience of our trainees, we have taken important steps towards the goal of developing BittNation, the community of those who attended the courses of the Education Division.

Customer Success managers also completed working procedures and 3 Use cases that demonstrate the ROI achieved by customers for the educational projects carried out with us. In Quarter 3 we delivered a total of 132 classes for a total of 1220 learners, which corresponds to an average of about 9 students/class. This slight increase compared to the last year's average helped us to maintain an average gross margin of over 50% at the division level.



## About stock market performance

Bittnet's share price fell by 16% in the first 9 months of 2021. The total trading volume recorded in the first 9 months was of 77,063,824 shares, with a total value of transactions exceeding RON 45.6 million, values that confirm the membership of the BET-XT index or FTSE Russell indexes, based also on the liquidity of the shares.

Today we have a different shareholder composition than in the past: we have reached a number of almost 4,000 shareholders (including 12 investment funds) of which several are 'new shareholders' (who joined our company after the transition to the main market). *In formal or informal discussions we have learned that some of them are facing a decrease in the value of their investment - which causes dissatisfaction with the company, although the stock market performance of the share price cannot be controlled by the Issuer.* We are sure that among the 4000 shareholders there are also speculators, but we hope that we also have a significant number of shareholders who understand that the chances to thrive by investing in a company increase in proportion to the time spent both studying the company ([Shareholder's Manual](#), [Universal Registration Document](#), [Messages from the CEO](#)) and especially to the time spent as a shareholder, so that the company's development plans can show their effects and the market uptakes new information.

We have shown on the Facebook group dedicated to Bittnet investors some figures that we consider relevant, which could increase the confidence of shareholders in the long-term evolution of the share:

- The **annual** growth rate of revenues and assets is over 60%
- Return on capital from investors is over 40% annually
- Capital raising transactions to acquire other companies or to settle SOP plans generated an average return of over 20% for shareholders who did NOT participate
- Bittnet's valuation indicators today equal almost half the average of similar companies listed on mature markets, companies that do not have our growth rate. Moreover, if we compare ourselves with other companies in the industry listed on the Romanian stock exchange, we notice that they have higher valuations in conditions where the turnover is even several times lower than that of our Group.

We conclude this chapter<sup>1</sup> with a few references to the virtue of patience when it comes to investment in the shares of individual companies ("stock picking"):

- "In the short run, the market is a voting machine but in the long run, it is a weighing machine." - [Benjamin Graham](#)
- About the interaction with "Mr Market", paragraph reproduced from the [Berkshire Hathaway Shareholders Letter, 1987](#):

*Even though the business that the two of you own may have economic characteristics that are stable, Mr. Market's quotations will be anything but. For, sad to say, the poor fellow has incurable emotional problems. At times he feels euphoric and can see only the favourable factors affecting the business. When in that mood, he names a very high buy-sell price because he fears that you will snap up his interest and rob him of imminent gains. At other times he is depressed and can see nothing but trouble ahead for both the business and the world. On these occasions he will name a very low price, since he is terrified that you will unload your interest on him.*

*Mr. Market has another endearing characteristic: He doesn't mind being ignored. If his quotation is uninteresting to you today, he will be back with a new one tomorrow. **Transactions are strictly at your option. Under these conditions, the more manic-depressive his behaviour, the better for you.** But, like*

<sup>1</sup> None of the information presented in this chapter is an investment recommendation. Investing in stocks involves risks. Please read carefully the Universal Registration Document and the chapter "Risk Factors" reproduced in this Report before choosing to invest in the shares of our company.



*Cinderella at the ball, you must heed one warning or everything will turn into pumpkins and mice: **Mr. Market is there to serve you, not to guide you. It is his pocketbook, not his wisdom, that you will find useful.** If he shows up some day in a particularly foolish mood, you are free to either ignore him or to take advantage of him, but it **will be disastrous if you fall under his influence.** Indeed, if you aren't certain that **you understand and can value your business far better than Mr. Market, you don't belong in the game.***

## Development through M&A

In Q3 we completed 5 transactions out of those already announced (Nenos & Nonlinear, ISEC and CLC, IT Prepared) - all of these companies will start generating results that will be taken into consolidation only in Q4 2021. In parallel we have advanced the negotiation processes with the others that are still ongoing: Servodata, Datascript, Top Tech. We only need these transactions to be successfully concluded and we will start 2022 with a capacity to generate business of around RON 250 million. We are looking for 4 to 5 more transactions that will allow us to strengthen our presence both in the classic IT&C integration business and in the cyber security area.

For the companies where the transactions are completed, the journey of operational and financial integration has begun, to unify tools and procedures, to learn from each other what we perform well, and to increase our chances to cross-sell and up-sell. Each company goes through a dedicated integration process based on the information we uncover in the preliminary transaction analysis phases. We estimate that by the end of Q4 these organisations will be aligned to the group standard in all respects.

Taking into account the continuing expansion of the group through acquisitions (M&A), which generates different basis of comparison for impairment testing, we intend, with the approval of our auditors, to change the policy for the valuation of holdings in other companies – by shifting to an independent valuation thereof. Now we estimate that the independent revaluation of holdings will increase the value of these assets in Bittnet's individual financial statements.

Please read more about the structure of the group and the role of M&A activity in achieving the EUR 100 million turnover target in the [Shareholder's Manual](#).

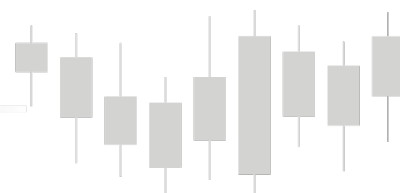
I conclude my letter with an example that I think is self-evident to explain our accelerated growth objectives. We believe that it is much easier to generate higher profitability in nominal terms from a company having a turnover of RON 500 million than it is from a company with a turnover of RON 100 million, or as it was from an even smaller company. This quarter gives us a clear measure of how true this statement is: the profit for the Quarter 3 of 2021 alone is higher than the entire annual turnover of any of the first 8 years of Bittnet's existence. It is obvious that we could not have extracted a profit of RON 9 million from a company with a business of RON 7 million.

Equally, if we reach the target of RON 500 million turnover in 2024, and this is accompanied by an average profitability for the industry of 15%, the resulting net profit would be impossible to achieve from current turnover, no matter how much attention to cost, ingenuity and operational mastery we provide. On the other hand, such a company, valued even at only 10x profit, or only 1x revenue (well below the historical average of these indicators), would still be worth 3-5 times more than today.

As always, we welcome your questions at [investors@bittnet.ro](mailto:investors@bittnet.ro).

Mihai Logofatu,

Founder and CEO Bittnet Group



## Technology Division

### Presentation of the operational activity

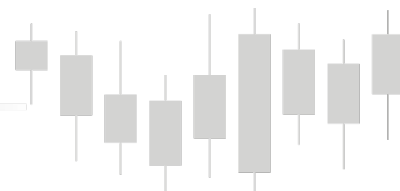
At the level of the Group's Technology Division, Q3 was a period of growth in terms of both turnover and margin generated and profit. The growth in financial indicators is also reflected in higher activity at team level – including in the area of IT and ERP services –with over 700 projects implemented in this quarter. In this respect, we can say that at division level and implicitly at company level (Dendrio and Elian) the seasonality in the first 3 quarters was close to the pre-pandemic seasonality. It is important to note that we have thus managed to recover the drop in revenue recorded in the first 6 months, but moreover, we have managed to accelerate the margin growth generated in these three quarters.

It is important to note that both globally and locally the current context is a complex one, with a low degree of predictability. Supply chains are under major stress - with extremely long lead times of over 120 days in the delivery of certain hardware components. This supply stress unfortunately overlaps with existing local challenges (pandemics, political instability) – which is why we aim, in the technology division, to focus on what can make a difference in the market: increasing interactions with our customers, engaging in digital transformation processes with highly competent resources, optimizing internal processes to increase agility and reduce lead times and delivery costs.

#### Dendrio

At Dendrio Solutions – the group's IT integration division – we focused on the following development directions:

- Strengthening all company teams - to cope with an increasing volume of medium and long-term projects. We believe that we are at an inflection point of the market - the requirements for digital solutions have only one direction: growth. In this respect up to the Q3 level we have managed to attract 15 new colleagues and collaborators, both in the delivery (technical) teams and in the area of sales, marketing, project management and customer success.
- In this quarter we also started the construction, at group level, but with a fundamental impact on Dendrio, of a Project Management Office (PMO). This will enable us to achieve a sustainable increase in the number of projects delivered, while maintaining increased control over costs and risks.
- The marketing activities were carried out in 3 main directions:
  - Running a cloud campaign, throughout Q3. In this regard Dendrio produced the first cloud adoption report in Romania (at 2021 level), allowing us a much more detailed understanding on the market and existing cloud trends. During the campaign we obtained over 230 downloads of this study;
  - Events involving personal attendance with customers, in particular from the large companies, have been resumed.
  - Development of digital content, allowing us to attract a larger volume of visitors on digital platforms; based on a continuous process of testing and learning, we believe this element will allow us to get an accelerated growth in the local and regional market.
- The buyer journey process – focused on the area of small and medium-sized companies – has started to show results. We managed to take over a number of best practices from the Education Division, achieving promising results in the implementation of this process: over 220 companies contacted by the Dendrio team (outbound) with a conversion rate (validation of interest) of 20%;





- Also in the area of small and medium companies we have implemented over 200 projects with technology adoption component (technology workshops) – a facility by means of which we aim to attract over 50 new customers in the next financial cycle (2022);
- In the area of large companies, we continued implementation projects both for critical/national infrastructures and in the banking, utilities or real estate sectors. As is to be expected, we are seeing an increase in interest in the area of cybersecurity projects, while maintaining a high interest in the area of connectivity and data centres;

## Eliau

In what concerns Eliau Solutions – the business application implementation division – we mention below the main development points for the Q3 period:

- Improved project delivery and customer communication processes. The efforts made in this respect have paid off, with difficult projects such as Green PC Ambalaje and My Geisha being delivered according to the assumed schedules.
- Attracting productive resources to the team has also been vitally important – Eliau has managed to reach a total of 28 colleagues and collaborators involved in the delivery processes. Moreover, while normally a new colleague goes through a training process that can take up to 6 months, in Q3 we adopted a new strategy: attracting experienced consultants with the ability to get into production quickly. The approach was successful, all new resources attracted have been integrated into production in less than the average time of 6 months, resulting in increased delivery capacity to the client.
- We have invested time to recertify the team on the new Microsoft Dynamics 365 Business Central solution, several colleagues being in the ongoing process of obtaining certifications;
- We extended our Gold Partner certification with Microsoft.

Of course, this period also poses challenges that Eliau team tackles as nimbly and responsibly as possible. In view of the type of projects we implement, relatively frequent meetings between colleagues in the team as well as with client implementation teams are necessary. Although working remotely allows us to continue running the business, this way of working also brings a number of drawbacks: team segmentation, harder integration of new people.

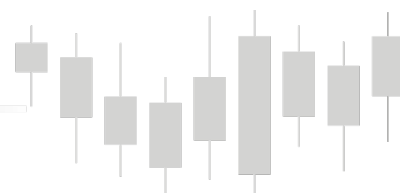
Even in this complicated context in Q3 we had a number of exceptional successes, such as the transition into production of the client My Geisha - a very active brand with a strong online presence in the beauty area. My Geisha represents a very strong reference for this market segment and by means of this implementation we have strengthened our retail solution.



## Financial Results – Technology Division

There are two factors that contributed to the improvement in the technology division's financial results for the 9 months compared to the previous year. The first is related to the significant increase in the share of services in the division's revenues, due to the need of customers to upgrade existing infrastructures following the inability to deliver new equipment caused by the semiconductor crisis. The second factor is the stabilisation of hardware delivery times. Thus, the gap caused by the initial extension of delivery deadlines could be bridged and business is now operating in new parameters. Gross margin increased by 40% compared to the previous year, resulting in a 332% increase in operating profit in the first nine months of 2021 compared to 9 months in 2020.

	30/Sep/21	30/Sep/20	Evolution
<b>Revenues from contracts with clients</b>	<b>73,842,251</b>	<b>68,941,735</b>	<b>7,11%</b>
Revenues from the provision of services	17,483,711	13,545,042	29,08%
Sale of goods	56,358,540	55,396,694	1,74%
<b>Cost of sales</b>	<b>60,123,789</b>	<b>59,184,403</b>	<b>1,59%</b>
Cost of sale of goods/materials	48,552,480	48,768,947	-0,44%
Cloud services	4,199,042	3,650,522	15,03%
Man-hours	7,402,267	6,764,933	9,42%
<b>Gross margin</b>	<b>13,718,462</b>	<b>9,757,333</b>	<b>40,60%</b>
<b>Other incomes</b>	<b>2,588,870</b>	<b>119,786</b>	<b>2061,25%</b>
<b>Sales/distribution expenses</b>	<b>4,099,973</b>	<b>3,735,469</b>	<b>9,76%</b>
Staff expenditure	3,554,610	3,377,389	5,25%
Advertisement	545,363	358,079	52,3%
<b>Administrative costs</b>	<b>5,011,133</b>	<b>4,477,976</b>	<b>11,91%</b>
Man-hours	2,556,326	2,424,996	5,42%
Travel and transportation expenses	60,599	40,775	48,62%
Headquarters rent	151,186	31,722	376,6%
Rental of equipment	158,848	49,240	222,6%
Materials	86,375	101,355	-14,78%
Amortization	894,255	950,704	-5,94%
Insurance	86,287	91,291	-5,48%
Telecom and post expenditure	54,890	60,789	-9,7%
Bank fees	44,862	30,696	46,15%
Other services performed by third party	773,015	512,254	50,90%
Other expenditures	294,613	184,154	59,98%
<b>Operating profit</b>	<b>7,196,227</b>	<b>1,663,674</b>	<b>332,55%</b>



## Education Division

### Presentation of the operational activity

Q3 2021 was atypical for the Education Division. While traditionally, activity during this quarter was significantly reduced due to the holiday period - both for our trainees and our trainers - this year activity was sustained and we were able to recover the significant decrease of over 20% compared to 2020 recorded at the end of the first two quarters of this year. Given that historically Q4 is our busiest quarter, we are confident that we will be able to exceed last year's result, thus marking the resumption of the accelerated growth that the Education division had almost every year before the pandemic.

Below you can find the main activities of each team as they are involved in the “Buyer Journey”, our new operational model that we have been rigorously implementing since the middle of last year, and which we wrote about extensively in our H1 report.

#### **Marketing & Product management**

In Q3 the Marketing and Product management team continued to refine the lead generation model through content development. Both video content and e-books developed have generated 125 MQLs (Marketing Qualified Leads). In addition to lead generation activity, Product managers built and implemented 5 campaigns with the two cloud partner vendors Microsoft and AWS, generating over 800 registrations to our virtual events and attracting over \$12K in promotional funds from them.

Also in Q3, we started implementing ABM (Account Based Marketing) campaigns on LinkedIn for DevOps Artisan, our international market sales project, and will be extending them for other projects. Since August, we have become the strategic education partner of ANIS (Employers' Association of the Software and Services Industry) and have already delivered a first webinar for L&D specialists of ANIS member companies.

#### **Demand generation**

As the main lead generator for the sales team, the Demand generation team has increased its headcount by two more colleagues, bringing the total to 5 SDRs (Sales Development Representatives) led by a Team Lead. One of the main objectives of the team is to continuously refine the Outbound prospecting process in order to understand the optimal cadence, the best days and times to contact and the communication methods with the highest impact. This quarter the Demand generation team on the one hand has qualified and transferred to the Business development team 45 SQLs (Sales Qualified Leads) out of 125 MQLs, plus another 12 SQLs after contacting 190 companies in the market who are our potential clients.



## Business Development

### 1. Bittnet training team

The sales team managed a total of over 300 opportunities this quarter, generating a consistent pipeline of over 1.5M EUR. The continuation of Microsoft's Enterprise Skills Initiative vendor campaign into FY 2021/2022 has helped us both in partially catching up the first quarter gap and generating new opportunities.

### 2. Equatorial team

In the third quarter we were able to attract a new colleague in line with the plan we set out at the beginning of the year and we are in the process of recruiting our second Learning consultant. Equatorial's repositioning as a provider of soft skills to IT organisations is starting to pay off, with the sales team managing to win 7 new clients from the IT industry. The FutureSkills collaborative learning platform, developed in the first semester, and the VRRunners game were the pillars of the projects we won. Also this quarter Equatorial partnered with Human Synergistics and will provide consulting services to IT companies as part of the National Organizational Culture Research

### 3. e-Learning Company team

The demand for e-learning content continued to grow in the third quarter, so the sales team managed to attract 6 new customers and win back 3 customers who stopped buying last year, which resulted in maintaining the growth rate at almost 60% compared to last year. The pace of adoption of the B2C course platform is slower than anticipated but we continue to refine our marketing model to help us achieve our planned goals.

### 4. CLC team

During this quarter we completed the transaction with Computer Learning Center (CLC), the leading cyber security training provider in Romania, taking over the entire business, the contracts with customers and employees. Since September we have started the integration process of our new colleagues and we expect a positive impact in terms of results for the fourth quarter, given the existing pipeline.

## Delivery & Customer Success

One of the main concerns for the second semester of 2021 is to develop and professionalise the team of internal trainers and collaborators. The fact that we now have a Training Manager for both technical and soft skills training has helped us to be able to build a significant part of the processes and procedures needed in the final stage of the Buyer Journey. In this way, in addition to improving the experience of our trainees, we have taken important steps towards the goal of developing BittNation, the community of those who attended the courses of the Education Division. Customer Success managers also completed working procedures and 3 Use cases that demonstrate the ROI achieved by customers for the educational projects carried out with us. In Quarter 3 we delivered a total of 132 classes for a total of 1220 learners, which corresponds to an average of about 9 students/class.



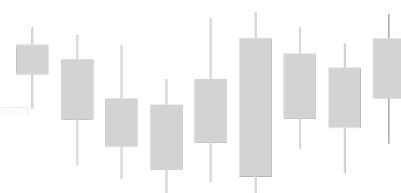
## Financial results – Education Division

From a financial point of view, the evolution of the Education Division in the 9 months period ended on 30.09.2021 shows almost a recovery, managing to recover the decrease of more than 20% recorded in the first two quarters. The significant decrease in the cost of materials is due to Microsoft's Enterprise Skills Initiative (ESI) campaign, in which both textbooks and labs have zero cost for this year. In addition, there is a high share of DevOps courses (own curriculum) where course materials are our property and therefore we have no licensing costs.

The increase in team expenses, both in the sales and administrative area is generated by three components:

- the inclusion of Equatorial's team costs in the consolidated calculation once the company was taken over in December 2020;
- expansion of the team by including the Demand generation (3), Business Development (1) and Delivery (1) positions
- Change in timing for sales commission payments: quarterly in 2021 versus in Q4 as previously accounted for.

	30/Sep/21	30/Sep/20	Evolution
<b>Revenues from contracts with clients</b>	<b>8,104,806</b>	<b>8,575,726</b>	<b>-5,49%</b>
<b>Cost of sales</b>	<b>3,957,394</b>	<b>3,451,624</b>	<b>14,65%</b>
Cost of sale of goods/materials	124,540	727,404	-82,88%
Man-hours	3,832,855	2,724,221	40,7%
<b>Gross margin</b>	<b>4,147,412</b>	<b>5,124,101</b>	<b>-19,06%</b>
<b>Other incomes</b>	<b>876,551</b>	<b>302,693</b>	<b>189,58%</b>
<b>Sales/distribution expenses</b>	<b>2,438,852</b>	<b>1,450,507</b>	<b>68,14%</b>
Staff expenditure	1,671,182	1,115,182	49,86%
Advertisement	767,669	335,326	128,93%
<b>Administrative costs</b>	<b>3,596,438</b>	<b>2,186,441</b>	<b>64,49%</b>
Man-hours	2,013,941	1,275,018	57,95%
Materials	41,986	22,782	84,29%
Amortization	1,052,616	530,744	98,33%
Insurance	48,359	27,326	76,97%
Other expenditures	193,726	233,246	-16,94
<b>Operating profit</b>	<b>(1,011,327)</b>	<b>1,789,846</b>	<b>-156,5%</b>



## Financial result and gross profit

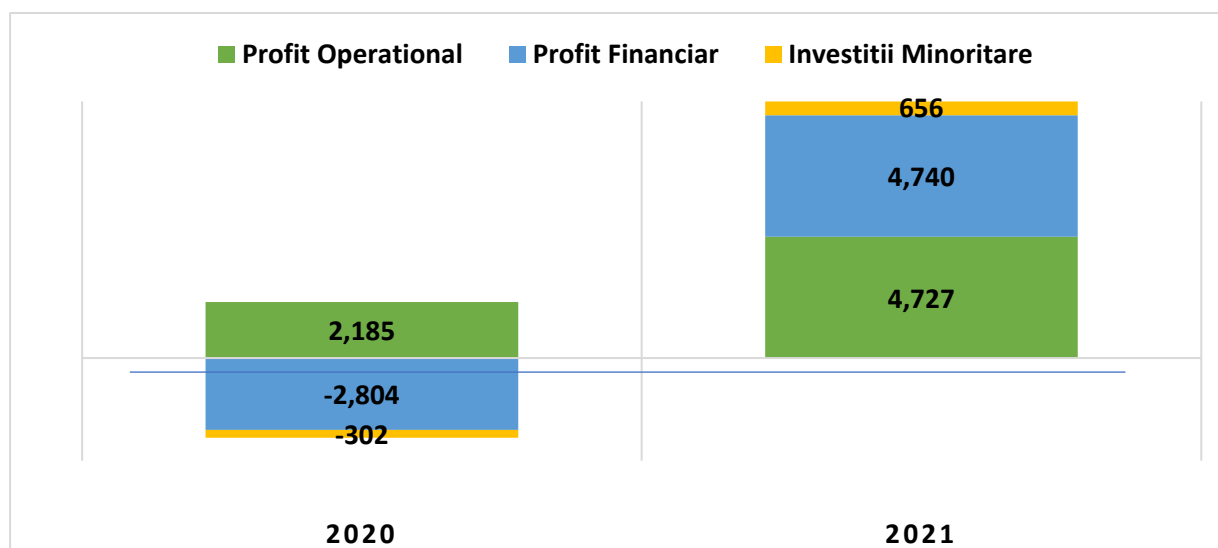
In addition to the two lines of business, the company also records activities related to the coordination of the group of companies, securing funding through stock market facilities, and certain expenses estimated according to IFRS standards (adjustment which we have also explained in previous reports as non-cash, and which we believe should not be included in the statement of comprehensive income), as well as income or expenses related to “mark to market” investments (companies in which we do not hold 20% of the voting rights).

Thus, during the first 9 months of this year:

- IFRS adjustments related to SOP decreased to RON 734K (compared to 1.2 million last year)
- Interest expenses (bank and bonds) decreased to RON 2.47 million compared to RON 2.74 million in 2020
- We record income from exchange rate differences of RON 57K compared to a loss of RON 200K in 2020
- The value of “mark to market” investments increased by RON 7 million, while last year it was zero. This figure contains in particular the investment in Softbinator, together with Safetech and Arctic Stream.

In total, the financial result is therefore **a profit of RON 4.7 million in the period under review**, compared to a loss of 2.8 million last year. The value of **RON 655K – our part of the profit** is added to this amount from the profit of the companies in which we have minority interests, but more than 20%. Last year this item indicated a loss of RON 300K.

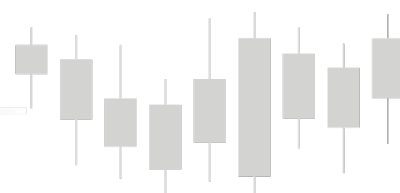
The combination of these elements generates a gross profit of RON 10.8 million, versus a loss of RON 910K last year – i.e. an increase of more than 12 times in profitability and a consolidated net profit of RON 9,75 million.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION – key elements

The following elements are worth mentioning in the analysis of the dynamics of the Group's financial position compared to the previous year:

1. The increase of RON 10.9 million in goodwill is due to the registration of new investments (M&A): Nenos Software, Nonlinear, ITPrepared, ISEC, Computer Learning Center.
2. Decrease of RON 2.4 million in tangible fixed assets, in the context of the elimination of the asset related to the lease contract with Anchor Plaza, related to the working point in Bd Timisoara nr. 26.
3. Decrease of RON 7 million in securities put at par, in the context of the acquisition of the stake in E-learning company, but also of the reclassification of the investment in Softbinator Technologies in securities at fair value on 30.09.2021
4. Increase in financial assets by RON 13.6 million, due to the reclassification of the investment in Softbinator Technologies into securities at fair value on 30.09.2021 and the revaluation of the holdings in Satefech Innovations and Arctic Stream on 30.09.2021
5. Increase of RON 4.2 million in trade receivables, due to the consolidation of new investments (with an impact of RON 1.8 million) and the recording of the receivable related to the sale of Autodesk business to Graphein (RON 2.2 million)
6. Decrease of RON 3.1 million in trade payables, plus the positive impact of the consolidation of new investments (RON 3.5 million) and the recording of payables related to M&A transactions to be converted into shares (RON 4.7 million);
7. The decrease of the cash position by RON 9.4 million comes partly from the payment of cash transfers related to the investments made, and partly from the prepayment of some commercial debts (as a proof, the commercial debts are significantly lower than the commercial receivables).
8. The significant positive evolution of the equity capital (from RON 18.6 to 49 million) is due to the recording of capital increases with contributions and receivables, but also to the increase of RON 10.7 million in the current result.
9. The significant decrease in short-term leasing debts is due to the termination of the lease contract with Anchor Plaza, for the working point at 26 Timisoara Boulevard.



## CONSOLIDATED SITUATION OF CASH FLOW – key elements

During the period under review it can be seen that ~ “we have put to work” the cash we gained, as follows:

- RON 7.9 million placed in investments:
  - RON 4.9 million acquisitions of participating interests (goodwill)
  - RON 1 million acquisition of assets (IT equipment and platforms)
  - RON 1.8 million – acquisitions of “mark to market” holdings
- Investments generated cash inflows of RON 4.3 million:
  - RON 3.6 million sales of financial assets
  - RON 0.7 million interest and dividend income from the companies in which we invested
- Thus, the net cash invested in investment activities is RON 3.7 million in these 9 months.
- The financing activity was approximately cashflow neutral:
  - We attracted capital of RON 10.4 million
  - We repaid bank loans and bonds in the amount of RON 6 million (thus reducing our indebtedness)
  - We paid interest and leasing instalments (including rents) of RON 3.5 million
- The most important element – operational activity generated a cash “outflow” of RON 9.4 million, influenced by the following conjunctural elements:
  - The semiconductor crisis generates not only longer delivery times for goods to be purchased from distributors, but also a preference of distributors to confirm orders to partners who can pay on shorter payment terms. In this situation, our strong financial position has been of real advantage, as we can use some of our cash to finance purchases to increase deliveries.
  - In line with our strategy of offering integrated services, we have carried out several projects that have allowed some very solid customers to pay in instalments over an atypical period for the delivery of IT solutions. In this way we increased the average gross margin of these projects by about 5 percentage points (25-30%), which could not have been achieved if we did not have the cash available to advance to suppliers.
  - Part of the item “trade and other payables” refers to M&A transactions related to IT Prepared and Nenos (RON 4.7 million). These amounts are taken into account in the cashflow valuation, but will not be subsequently disbursed as cash – but by conversion into shares.
  - In October we collected receivables of about RON 5 million, which significantly changes the operational cash flow overview.





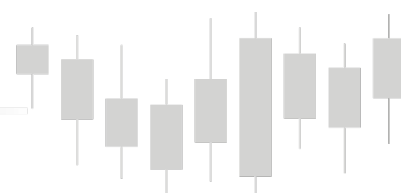
## An annual overview of financial results

Although we have received requests from shareholders to publish the quarterly results and highlighting the activity during the quarter, we consider that it is not a relevant presentation considering the specificity of the company. Shareholders who want this information can easily obtain it by subtracting the figures for Semester 1 from the figures presented in this report.

Instead, we consider it more relevant to present the results in the “last 12 months” format, all the more so given the seasonality of the business focused on Q4, as we have shown repeatedly. If we look at the group's consolidated activity over the last 12 months, the overview is very favourable:

	Trailing 12M Q3 2020	Trailing 12M Q3 2021	Evolution
Revenues from contracts with clients	119,957,887	113,621,356	-5,28%
Cost of sales	(94,835,741)	(89,170,522)	-5,97%
Gross margin	25,122,146	24,450,834	-2,67%
Other incomes	556,568	3,494,770	527,91%
Sales/distribution costs	(7,731,664)	(8,861,836)	14,62%
Administrative costs	(10,982,372)	(11,473,862)	4,48%
Profit/(loss) – Equivalent securities	(256.274)	786,704	406,98%
Financial income	351,604	8,323,069	2267,17%
Financial expenses	(4,322,779)	(3,555,663)	-17,75%
Gross profit	2,737,229	13,164,016	380,92%
Tax	(602.345)	(1,431,572)	137,67%
Net Profit, of which:	2,134,884	11,732,444	449,56%
Net profit attributable to parent company (A)	1,908,599	11,613,014	508.64%
Non-controlling interests	226,285	119,430	-47.34%

This presentation sends us the message that, in the situation where in Q4 it does not generate by far the historical average of 40% of the annual revenues, and therefore a significant profitability – but it is only breakeven we will still reach the profit target approved by the GMS.



## Assessment of other similar companies

We mentioned in the chapter “Stock Exchange Evolution” that the current multiples of BNET record values significantly below the average of similar companies listed on international markets, given that the return on capital brought by shareholders is significantly higher in the case of BNET, the situation being similar in case of revenue increase (size of business). We further reproduce the table based on which we documented the respective statement. The data are extracted from the Eikon Reuters system on October 13, 2021.

Company	Historic Price/Rev	Price To Sales	P/Sales (NTM)	EBITDA Margin, Percent	EBIT Margin, Percent	Historic EV/EBITDA	EV / EBITDA	Forward P/E	Historic P/E	Price To Cash Flow	ROE, 5 Yr Avg	Rev Growth Est
Cyberoo SpA	10,29	11,29	4,69	33,5%	3,4%	30,18	69,94		1,027,59			156,0%
Converge Technology Solutions Corp	0,54	2,00	1,09	6,4%	3,6%	13,20	28,08	23,84		146,25		126,2%
Corero Network Security PLC	4,01	3,77	1,93	-7,0%	-22,2%		95,91			18,34	-44,7%	119,4%
Bittnet Systems SA	1,46	1,17	0,71	10,2%	11,3%	28,22	9,78	12,47	150,00	14,13	17,3%	68,9%
Adtalem Global Education Inc	1,65	1,62	1,02	22,5%	18,2%	9,31	9,52	7,88	18,04	9,40	10,2%	59,7%
Tpximpact Holdings PLC	3,31	3,95	2,48	5,0%	-1,6%	86,71	82,18	23,37		35,73		58,2%
Crayon Group Holding ASA	0,51	0,68	0,52	1,9%	1,2%	24,60	28,17	40,40	82,81		2,5%	54,5%
Endava PLC	10,48	13,62	9,44	19,9%	14,6%	51,47	69,79	61,27	107,69	68,79	18,2%	43,9%
Wipro Ltd	1,88	6,33	4,57	20,2%	16,8%	7,18	26,61	29,72	11,83	26,93	17,4%	39,8%
MEDIA	3,37	5,05	2,36	13,4%	6,1%	17,77	23,75	22,83	98,32	24,36	9,6%	34,8%
Avensia AB	1,95	1,72	1,33	6,2%	2,0%	30,92	27,30	25,07	551,01	58,90	23,9%	32,7%
Streamwide SA	5,43	7,46	5,89	54,7%	28,8%	9,12	10,92	21,87	23,27	13,48	2,0%	31,7%
Infosys Ltd	5,79	6,96	5,89	28,0%	24,7%	19,88	24,81	31,81	30,05	30,58	24,5%	25,4%
Enea AB	4,38	5,34	4,09	35,4%	23,8%	13,25	14,65	20,96	28,59	15,79	13,7%	21,3%
Tech Mahindra Ltd	2,28	3,83	3,21	18,2%	14,4%	11,07	18,88	23,01	19,49	18,44	19,9%	19,3%
Cognizant Technology Solutions Corp	2,66	2,41	2,15	18,0%	14,6%	13,83	12,99	18,24	31,85	16,48	16,7%	17,1%
Accenture PLC	4,30	4,55	3,95	16,7%	15,1%	24,31	26,30	34,08	36,76	25,59	36,5%	14,9%
Asseco Poland SA	0,46	0,62	0,57	15,8%	9,9%	4,50	5,70	18,04	14,06	4,89	6,5%	10,8%
Capgemini SE	1,38	1,88	1,75	15,2%	11,1%	11,31	14,25	21,28	22,86	15,50	11,7%	9,9%
Datatec Ltd	0,08	0,13	0,12	3,5%	1,8%	3,25	4,56	12,05	133,60	3,11	-4,5%	8,8%
Asseco South Eastern Europe SA	2,17	2,26	2,13	21,4%	13,8%	9,59	9,64	18,58	19,15	10,78	9,9%	6,3%

Company	Historic Price/Rev	Price To Sales	P/Sales (NTM)	EBITDA Margin, Percent	EBIT Margin, Percent	Historic EV/EBITDA	EV / EBITDA	Forward P/E	Historic P/E	Price To Cash Flow	ROE, 5 Yr Avg	Rev Growth Est
Unisys Corp	0,61	0,84	0,82	12,2%	4,3%	4,10	5,44	11,50				6,2%
CACI International Inc	1,05	1,10	1,04	11,0%	8,9%	11,52	12,46	15,65	13,94	11,21	12,7%	6,0%
Comp SA	0,36	0,39	0,43	11,0%	4,9%	5,65	4,43	9,47	14,28	4,03	3,2%	5,7%
NTT Data Corp	1,04	1,32	1,24	15,2%	6,0%	8,20	9,46	25,06	33,17	9,12	8,3%	5,0%
Comarch SA	1,03	1,31	1,24	17,8%	12,2%	5,05	6,24	17,65	13,11	7,00	8,9%	0,7%
Sygnity SA	0,75	1,16	1,06	23,1%	16,1%	3,42	6,10	8,48	6,18	10,15	-24,0%	-4,9%
Atos SE	0,73	0,45	0,44	14,4%	7,7%	6,24	6,38	9,26	14,82	4,96	9,8%	-5,2%
Micro Systemation AB (publ)	2,42	2,75		13,2%	9,2%	16,38	18,02		46,11	14,80	29,8%	
ULS Technology PLC	3,18	2,77		3,5%	-5,4%	53,14	41,20			22,39	13,3%	
Prevas AB	0,80	1,14		11,9%	8,5%	6,23	9,94	49,23	13,37	44,19	10,6%	
Profile Systems and Software SA	3,89	4,00		28,0%	12,3%	11,24	12,23		64,56	21,13	5,2%	
Dev Clever Holdings PLC	27,09	62,72		-74,2%	-86,6%						-97,5%	

The return on capital invested by shareholders was calculated according to the IRR formula, and is reproduced below, along with the mathematical demonstration of the statement “all capital increases made by the Company (including those for SOP or acquisition of companies with free shares) have brought value to shareholders who did not participate – an average return over 20% for shareholders who did NOT participate:



15/04/2015	Equity April 15, 2015	-864,743
05/12/2017	Capital Increase December 5, 2017	-807,127
14/12/2018	Capital Increase December 14, 2018	-2,892,205
10/04/2020	Capital Increase April 10, 2020	-9,168,712
02/03/2021	Capital Increase March 02, 2021	-10,725,345
<b>30/09/2021</b>	<b>Equity on September 30, 2021</b>	<b>49,071,003</b>
	Of which, amounts attracted	-23,593,389
	<b>IRR</b>	<b>43,7%</b>

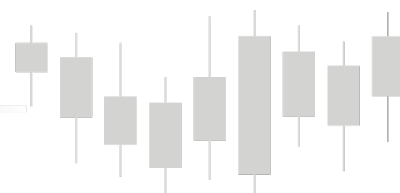
Data	Nr. initial	Nr. final	Factor Corectie	Actiuni Noi	Eq/Share Initial	Eq /Share Operatie	Eq / Share Rezultat	Accretive ?
23.08.2016	4,504,383	13,513,149	3	9,008,766.0	42.6	0	14.20838	Neutru
10.03.2017	13,513,149	14,514,123	1.074	1,000,974.0	22.9	78.0	26.7	TRUE
05.07.2017	14,514,123	29,028,246	2	14,514,123.0	26.7	0	13.36891	Neutru
04.01.2018	29,028,246	30,444,258	1.049	1,416,012.0	20.5	58.0	22.3	TRUE
02.07.2018	30,444,258	48,710,812	1.6	18,266,554.8	22.3	0	13.92358	Neutru
14.01.2019	48,710,912	51,755,238	1.062	3,044,326.0	28.7	95.0	32.6	TRUE
13.05.2019	51,755,238	55,233,205	1.067	3,477,967.0	32.6	113.1	37.7	TRUE
09.07.2019	55,233,205	110,466,410	2.0	55,233,205.0	37.7	0.0	18.9	Neutru
31.10.2019	110,466,410	116,203,206	1.052	5,736,796.0	18.9	71.1	21.4	TRUE
05.05.2020	116,203,206	127,249,847	1.095	11,046,641.0	10.6	83.0	16.9	TRUE
24.07.2020	127,249,847	216,324,740	1.7	89,074,893.0	16.9	0.0	10.0	Neutru
18.12.2020	216,324,740	229,049,725	1.059	12,724,985.0	10.0	62.2	12.9	TRUE
26.03.2021	229,049,725	247,228,275	1.079	18,178,550.0	12.9	59.0	16.3	TRUE
22.07.2021	247,228,275	395,565,240	1.6	148,336,965.0	16.3	0.0	10.2	Neutru

**Nothing in this chapter is an investment recommendation. Investing in stocks involves risks. Please read carefully the [Universal Registration Document](#) and the chapter „Risk Factors” also provided in this Report before you decide to invest in our shares.**



## Indicators according to the Annex 13 Reg. ASF 5/2018

Indicator (formula)	30/09/2021	30/09/2020	30/09/2019
Current liquidity indicator (Current Assets/Current Liabilities)	2,11	1,6	1,54
Indebtedness indicator (Net TL Debts/Equity) x 100	66%	55%	293%
Customer flow rotation speed (Average customer balance/turnover) x 270 days	92 days	100 days	95 days
Turnover speed of fixed assets (Turnover/Fixed assets)	1,76	2,26	1,95



## Key events in Q3 2021

### Share capital increase with bonus shares (6:10) | July 2021

On July 22, 2021, the Central Depository has debited to the shareholders' accounts as of the record date 21.07.2021 a total of 148,336,965 free shares issued pursuant to the Decision of the Board of Directors of 06.07.2021 and the EGMS Resolution no. 2/27.04.2021. The Board of Directors then decided according to the mandate given by Resolution no. 2 to maintain the allocation rate of 6 free shares for every 10 shares held, which have been allocated in the shareholder portfolios since the record date, in proportion to the holdings.

### Cash distribution option vs free shares (1:10) | July 2021

Bittnet provided investors with an electronic option solution for the implementation of the EGMS Resolution no. 3/29.04.2020, so that shareholders as of the record date could choose between cash distribution or receiving one free share for every 10 as per EGMS Resolution no. 3 of 27 April 2021 and as per the additional option procedure for its implementation.

During the option period, 26 July – 03 August 2021, 17:00, the Issuer received a total of 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. Of the options cast, 210 shareholders representing 162,611,497 voting rights, i.e. 65.77% of the total voting rights opted for OPTION 1 - i.e. for cash distribution. The Company transferred to these shareholders the amount of RON 1,626,109.60 starting from August 4, 2021, through the Central Depository system, with Banca Transilvania as paying agent.

Shareholders who voted "against" or "abstention", as well as those who did not take any action did not benefit from the cash distribution, were allocated their shares in Section 1 of the Central Depository.

### Signing of the investment agreement with ITPrepared | August 2021

On August 8, 2021, the Company signed the agreement to acquire a majority stake in ITPREPARED SRL. The transaction price amounted to USD 673,200 for 50.2% of the company's share capital.

ITPrepared is a managed services company that provides IT support services for Romanian and foreign customers, on technologies similar to those covered by Dendrio Solutions (a company 100% held by Bittnet), respectively on the solutions of major technology vendors such as Cisco, Microsoft and VMWare. ITPrepared has also developed internally a platform – currently at beta level – for IT support marketplace type on which the services delivered by Dendrio Solutions will be listed in the future.

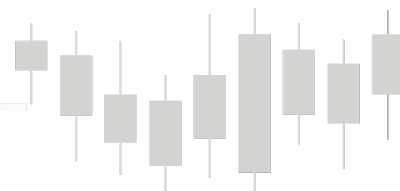
### Signing of the investment agreement with Nenos Software and Nonlinear | August 2021

On August 10, 2021, the Company signed the agreement for the acquisition of majority stakes in software developer Nenos Software SRL and Nonlinear SRL.

The value of the transaction amounted to RON 4,850,000 for 60.97% of Nenos Software and for the acquisition of 60% of Nonlinear SRL, the transaction price is RON 120 and is equal to the nominal value of the shares transferred.

By acquiring the majority stakes in Nenos Software SRL and Nonlinear SRL, Bittnet consolidates its position in the software development division, while also entering the artificial intelligence sector.

Nenos Software has over 7 years of experience in software development, and the company offers customers a wide range of solutions developed using human and artificial intelligence. In both acquired companies, the remaining stakes will be held by the founder, Mr. Toader Toporau. These companies will



strengthen the software development pole of the Bittnet Group, which was established in December 2020 through the acquisition of a 25% stake in Softbinator Technologies SA.

### Signing of investment agreements with ISEC Associates and Computer Learning Center | August 2021

On August 20, 2021, the Company announced the signing of share purchase agreements for the acquisition of a majority stake in the cyber security company – ISEC Associates SRL and the full acquisition of the IT training company - Computer Learning Center SRL.

Through the full acquisition of CLC, Bittnet Group strengthens its Education division and expands its certification portfolio, especially in the cyber security sector.

### EGMS | September 2021

On September 7, 2021, the Company held the Extraordinary General Meeting of Shareholders, at the address Gara Herastrau Street Nr. 2, Impact Hub Bucharest Floreasca, Equilibrium Building, Floor 1 & 2, Bucharest 020334, as well as in electronic format, first call. Following the debates, the Company's shareholders adopted, among others, the following decisions regarding the items on the agenda:

- Purchase of a number of registered shares representing 20% of the share capital of Datascript SRO A.S, a company registered in the Czech Republic with its registered office in Prague. The transaction price is EUR 275,000 and will be paid in the form of BNET shares that will be settled in a future operation to increase the share capital.
- Granting loans or guarantees for accessing loans from Bittnet Group companies, amounting to a maximum of EUR 500,000 in the next 2 calendar years after the completion of the investment, to the company Datascript SRO.
- Ratification of the investment agreement regarding the purchase of a number of registered shares representing 100% of the share capital of COMPUTER LEARNING CENTER SRL. The transaction price is RON 225,000 and will be paid in cash.
- Approval of the granting of loans or guarantees for accessing loans from the companies from the Bittnet Group, amounting to a maximum of EUR 420,000 in the next 2 calendar years after the completion of the investment, to the COMPUTER LEARNING CENTER SRL company.
- Ratification of the investment agreement regarding the purchase of a number of registered shares representing 69.99200% of the share capital of ISEC Associates S.R.L. The transaction price is RON 295,000 (two hundred and ninety-five thousand RON) and will be paid in cash.
- Granting loans or guarantees for accessing loans from Bittnet Group companies, amounting to a maximum of EUR 241,000 in the next 2 calendar years after the completion of the investment, to the company ISEC Associates S.R.L.
- Ratification of the investment agreement regarding the purchase of a number of registered shares representing 60.97% of the share capital of NENOS SOFTWARE SRL. The transaction price is RON 4,850,000 and will be paid 50% in cash and 50% in BNET shares that will be settled in a future share capital increase operation.
- Ratification of the investment agreement regarding the purchase of a number of registered shares representing 60% of the share capital of NONLINEAR SRL.
- Purchase of a number of registered shares representing 90% of the share capital of TOP TECH SRL. The transaction price is RON 11,500,000 and the amount of RON 7,500,000 and the amount of 4,000,000 lei will be paid in two cash installments, which will be paid in the form of BNET shares, settled in a future operation to increase share capital.
- Ratification of the investment made by the Company in the share capital of the company ARCTIC STREAM S.A.



### Debt restructuring Computer Learning Center & ISEC Associates | September 2021

On September 27, 2021, the Company informed investors of reaching an agreement with lenders Computer Learning Center ("CLC") and ISEC Associates ("ISEC") to restructure the debts of the two companies that recently joined Bittnet Group.

Under the two payment agreements, CLC and ISEC have committed to immediately pay 35% of the total amounts owed in exchange for the debt settlement, thereby strengthening their financial position. In this regard, Bittnet granted a loan of RON 560,000 to CLC and of RON 370,000 to ISEC, with which funds were transferred to CLC and ISEC creditors, according to the agreements.

The loans granted by Bittnet were signed under the same conditions as those granted in the past to Dendrio Solutions, interest rate 9% per annum and maturity in 3 years and are granted according to EGMS Resolutions no. 5 and no. 7 of 07.09.2021.

### Transfer of Softbinator Technologies shares | September 2021

On September 28, 2021, the Company informed interested parties that prior to the completion of the private placement of Softbinator Technologies SA (symbol: CODE) and in order to give an opportunity to the members of the Group team to be part of the CODE shareholding as a listed company, the main shareholders (Daniel Ilinca, Simple Capital, and Bittnet) sold a total number of 59,530 CODE shares to a number of 35 individuals (employees and collaborators of the Group) and 3 legal entities, including 2 investment vehicles from Impetum Group and Autonom Group. The transfer of the shares was made at the maximum placement price and outside the capital market mechanisms and represents 5.95% of the share capital and shares of Softbinator Technologies.

Following these transactions, Bittnet holds a total of 188,980 CODE shares representing 18.8980% of Softbinator Technologies SA.

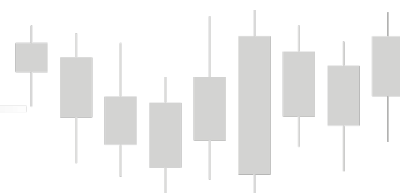
### Sale of Autodesk business - Dendrio Solutions | October 2021

On October 1, 2021, the Company informed investors and interested parties about the signing of the sale and purchase agreement, on September 30, 2021, regarding the transfer of the Autodesk business between Dendrio Solutions SRL and GRAPHEIN INTERNATIONAL SRL.

The contract price is of EUR 450.000 and will be received by Dendrio Solutions in 4 instalments until 2024. The contract provides for the transfer to the buyer (Graphein International) of Dendrio's business activity based on the relationship with the American technology vendor Autodesk, meaning the transfer of ongoing contracts with customers, the transfer of knowledge, as well as Gold Partner status.

The funds raised from this transaction will be reinvested in the development of strategic cloud and cybersecurity business lines and in potential future M&A transactions in these areas.

Bittnet Systems SA holds 100% of the shares of Dendrio Solutions SRL.





## Risk factors

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

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

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

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

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

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

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

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

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

Nevertheless, the company only monitors the gross margin and not the sales volume, so during the budget year it is much more likely that the revenue forecasts (the turnover) are erroneous and the company's profitability forecasts are more accurate. In other words, the management does not target, monitor or



reward the achievement of any revenue target and, consequently, investors should not monitor and evaluate the company's achievement of revenue indicators (turnover), but the profitability index.

#### *Personnel risk/delivery capacity*

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

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

- adding to the organizational chart the role of internal HR and its employment by a new colleague with experience in recruitment and relationship with IT professionals. The HR role has two objectives:
  - continuous recruitment - identifying new talents to include in our technical team;
  - creating and maintaining a pleasant, engaging and healthy work environment, focused on constantly promoting the company values on which the company culture is based: competence, performance, integrity, flexibility and fun.
- listing on the Bucharest Stock Exchange, which allowed us to obtain an appreciated employer profile and helped us differentiate ourselves as an open and transparent company - an image highly appreciated by all new and old employees.

This risk continues to be one of the most important risks that 'threaten' our company and, consequently, the management will continue to give particular importance to this issue. In 2016, 2017, 2018 si 2019, 2020 si 2021, the General Assembly approved a plan to incentivise key persons based on actions, in order to better align their interests with the long-term interests of the Company.

Considering the overheating of the labour market and the inclusion of the "Millenials" generation in a greater proportion within the workforce, we consider that this risk - related to the ability to deliver the promises to customers - is a significant one for the company, accompanied by the continuous increase of the financial claims of the team members and collaborators (a continuous increase of fixed costs).

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

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



### *Legislative/regulatory risk*

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

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

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

### *Business comoditization risk - loss of technological relevance of solutions*

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

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

### *Risk of unfair competition*

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

The issuer is in constant competition with other participants on the IT market, competition that is expected to intensify. High competition can encourage current as well as potential customers to use the services and products of the Issuer's competitors and thus negatively affect the Issuer's revenues and profitability. Strong competition may result in increased pressure on the Issuer in relation to the prices of products and services offered to customers, which may have a significant impact on the ability of the Issuer to increase or maintain its profitability. The Issuer's competitiveness in the current competitive environment depends to a large extent on its ability to adapt rapidly to new market developments and



trends. To the extent that the Issuer will not be able to effectively compete with its competitors, regardless of whether it is a local or international group, this may have a negative effect on the business, financial situation, results of operations and prospects of the Issuer.

#### *Risk of loss of reputation*

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

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

#### *Litigation risk*

Over the years, the companies of the Bittnet Group have fulfilled their contractual obligations and have therefore not been sued by their contractual partners. As the group expands, and more companies join the group, it is possible that their partners may consider that the new financial position of these group members has become more relevant to be sued.

During 2021, according to the mandate given by the GMS in November 2020, Bittnet requested Anchor Grup – the owner of the building at 26 Bd Timisoara to extend the office space, under the same contractual conditions, to accommodate with the new workspace regulations (distance between people), and with the team to be expanded as a result of the M&A transactions. Taking into account that the offer received from Anchor Group was considered as non-compliant, we notified them of the application of the “break-up” clause in the contract, and according to the mandate given by the GMS to the CEO during the meeting of 26.11.2020, Bittnet Group negotiated with the present suppliers in the market an optimal solution for the current development plans.

Following negotiations with various representatives, a new lease agreement was signed with ONE United Properties for a space in the ONE Cotroceni Park (OCP), building, for a period of 5 years with the start date of 01.02.2022. The previous lease contract with Bucuresti Mall Development and Management SRL was unilaterally terminated by Bittnet Systems as of 31.05.2021.

At the date of publication of this report, the Company is aware of the existence in the Courts Portal of a lawsuit filed by Anchor Group having as object “claims”. As the content of the case has not yet been communicated to us, we do not know the amount of the claims or its justification, so we could not assess the need for a provision. As the court file advances, there is a risk that BNET's profitability may be affected by the establishment of a provision for this dispute.

#### *Credit risk*

The credit risk is the risk that the debtors of the company will not be able to honour their obligations at maturity due to the deterioration of their financial situation. The company is less exposed to this risk due to the specificity of the products and services sold, which are addressed to companies of certain sizes with a special financial situation.

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

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



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

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

#### *Risk associated with M&A processes*

Most studies and articles dedicated to the topic of M&A show a statistic that holds no promise for acquiring companies: overwhelmingly, M&A processes destroy value for both companies (especially for the purchasers). This element takes on an even more negative dimension when in acquisitions, companies pay with shares of the acquiring company, as it is the case with our group. There is a significant risk that the processes we run will have the same negative long-term consequences. Management seeks to build each investment with a high degree of safety ("margin of safety") and to align the interests of the participants through payment formulas and mechanisms. However, there is no guarantee that we will be able to continue to identify such solutions, and that future M&A processes will be profitable for our group.

#### *Counterparty risk*

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

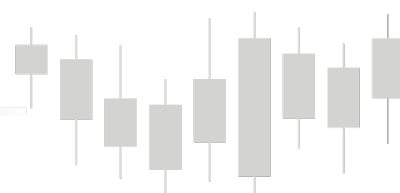
A specific example is the situation in which companies from the Issuer's group participate in public procurement procedures, and suppliers do not fulfil their assumed obligations. This scenario may result in the issuance of a "negative certificate" on behalf of the company that participated in the public tender procedure, which would mean exclusion from other procedures in the future, thus eliminating a potential to generate revenues. Considering the global semiconductor crisis, which is affecting lead times from our suppliers to us, while we have contracts with fixed delivery dates (especially in public procurement) these delays significantly increase the risk that our group will be unable to meet the lead times agreed with our customers. In the case of public entity customers, the issuance of a "negative certificate" in the name of one of our group companies would affect that company's ability to generate sales.

#### *Risk associated with interest rates*

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

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

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

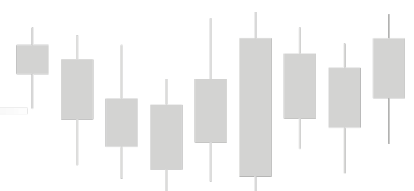


## Contact person for the relation with investors

Cristian Logofatu – cofounder Bittnet

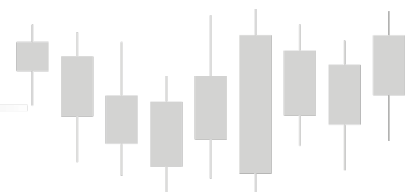
[investors@bittnet.ro](mailto:investors@bittnet.ro)

<https://investors.bittnet.ro>



## Annex 1 – ‘Alternative Performance Measurements’

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





## Financial Statements



**BITTNET SYSTEMS SA**

**INTERIM CONSOLIDATED REPORT**

**Prepared in accordance with  
Order of the Minister of Public Finance  
no. 2844/2016, as further amended,  
for 9 months ending on September 30, 2021**

The interim consolidated financial report from page [3] to page [31] was approved and signed on November 10, 2021

Mihai Logofatu  
CEO

Adrian Stanescu  
CFO

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**CONSOLIDATED SITUATION OF COMPREHENSIVE INCOME**

	<b>for 9 months period</b>	
	<b>30/09/2021</b>	<b>30/09/2020</b>
		corrected
Revenues from contracts with customers	81,947,057	77,517,461
Sales Cost	(64,081,183)	(62,636,027)
<b>Gross margin</b>	<b>17,865,874</b>	<b>14,881,434</b>
Other incomes	3,465,421	422,479
Sales expenses	(6,538,824)	(5,185,976)
General and administrative expenses	(9,341,651)	(7,921,140)
Profit/(loss) – Equivalent securities	655,909	(302,316)
Financial income	7,141,169	137,571
Financial expenses	(2,478,391)	(2,942,316)
<b>Gross profit</b>	<b>10,769,507</b>	<b>(910,263)</b>
Tax	(1,020,328)	(47,967)
<b>Net Profit, of which:</b>	<b>9,749,180</b>	<b>(958,230)</b>
related to the parent company	9,626,101	(1,091,785)
related to non-controlling interests	123,078	133,555
<b>Net profit</b>	<b>9,749,180</b>	<b>(958,230)</b>
Other elements of the overall result	-	-
<b>Total Global result</b>	<b>9,749,180</b>	<b>(958,230)</b>
related to the parent company	9,626,101	(1,091,785)
related to non-controlling interests	123,078	133,555
<b>Net profit</b>	<b>9.749.180</b>	<b>(958.230)</b>
Other elements of the overall result	-	-
<b>Total Global result</b>	<b>9.749.180</b>	<b>(958.230)</b>
related to the parent company	9.626.101	(1.091.785)
related to non-controlling interests	123.078	133.555

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>30 September 2021</b>	<b>31 December 2020</b>
<b>ASSETS</b>		
<b>Fixed assets</b>		
Goodwill	31,982,684	21,082,977
Other intangible assets	9,209,583	8,820,959
Tangible fixed assets	3,073,511	5,443,423
Equivalent securities	1,543,127	8,527,500
Other financial assets	303,087	7,483
Deferred tax	558,386	650,200
<b>Total fixed assets</b>	<b>46,670,379</b>	<b>44,532,542</b>
<b>Current assets</b>		
Stocks	1,401,295	1,157,052
Trade receivables and other receivables	34,572,183	30,330,712
Financial assets	15,124,339	1,459,700
Cash and cash equivalents	15,434,025	24,872,655
<b>Total current assets</b>	<b>66,531,842</b>	<b>57,820,120</b>
<b>TOTAL ASSETS</b>	<b>113,202,221</b>	<b>102,352,662</b>
<b>EQUITY AND DEBTS</b>		
Share capital	48,043,690	26,443,139
Issue premiums	14,542,953	25,409,965
Other equity items	(19,074,999)	(19,893,997)
Reserves	603,543	451,993
Reported result	4,536,809	(5,020,028)
<b>Capital related to the parent company</b>	<b>48,651,996</b>	<b>27,391,073</b>
Non-controlling interests	419,008	255,237
<b>Total equity and reserves</b>	<b>49,071,003</b>	<b>27,646,310</b>
<b>Long-term debts</b>		
Bonds	24,044,334	28,357,324
Bank loans	7,500,616	4,570,517
Leasing	896,749	3,036,719
Debts related to deferred profit tax	109,958	-
<b>Total long-term debts</b>	<b>32,551,656</b>	<b>35,964,560</b>
<b>Current debts</b>		
Bonds	425,791	889,781
Bank loans	3,258,928	7,583,930
Leasing	1,616,700	1,401,466
Dividends payable	19,676	
Profit tax liabilities	600,309	121,202
Commercial and other liabilities	25,658,157	28,745,411
<b>Total current debts</b>	<b>31,579,561</b>	<b>38,741,791</b>
<b>Total debts</b>	<b>64,131,218</b>	<b>74,706,352</b>
<b>TOTAL EQUITY AND DEBTS</b>	<b>113,202,221</b>	<b>102,352,662</b>

**CONSOLIDATED SITUATION OF CASH FLOW**

	<b>for 9 months period</b>	
	<b>30/09/2021</b>	<b>30/09/2020</b>
<b>Gross profit</b>	<b>10,769,507</b>	<b>(910,263)</b>
Adjustments for:		
Depreciation expenses	1,946,871	1,481,448
Expenses on transferred assets	86,016	-
Benefits granted to employees SOP	734,080	1,256,723
Interest expenses and other financial costs	2,355,488	2,547,595
Interest income and other financial income	297,319	169,324
Investment income	(7,031,976)	-
Equity securities gain	(655,909)	302,316
<b>Operating profit before working capital change</b>	<b>8,501,396</b>	<b>4,847,142</b>
Variation of receivables account balances	(2,100,315)	6,523,062
Variation of stock account balances	(244,080)	1,579,185
Variation of accounts payable balances	(12,429,317)	(8,772,596)
<b>Cash generated from operation</b>	<b>(6,272,316)</b>	<b>4,176,793</b>
Profit tax paid	(361,726)	(301,605)
<b>Net cash from operating activities</b>	<b>(6,634,043)</b>	<b>3,875,188</b>
<b>Investment activities:</b>		
Payments for the purchase of subsidiaries, less cash	(3,536,692)	-
Payments for the purchase of participation interests	(1,413,393)	-
Loans granted to related entities	(193,195)	-
Goodwill purchase	-	(4,231,513)
Acquisitions of tangible and intangible assets	(1,057,583)	(536,469)
Other investments in financial instruments	(1,865,300)	-
Proceeds from other financial investments	3,616,230	-
Dividends received	670,082	-
Interest received	79,435	83,460
<b>Net cash from investment activities</b>	<b>(3,700,415)</b>	<b>(4,684,522)</b>
<b>Financing activities:</b>		
Proceeds from share issue	10,412,024	8,853,597
Redemption/sale of own shares	(657)	(951,360)
Repayments of bank loans	(1,394,902)	(1,059,143)
Receipts/reimbursements from the bond issue	(4,500,000)	-
Payments for leasing debts	(968,578)	(1,192,251)
Interest paid	(2,632,469)	(2,832,841)
Dividends paid	(19,591)	(26,316)
<b>Net cash from financing activities</b>	<b>895,827</b>	<b>2,791,685</b>
<b>Net increase in cash and cash equivalents</b>	<b>(9,438,631)</b>	<b>1,982,351</b>
Cash and cash equivalents at the beginning of the financial year	24,872,655	20,824,117
<b>Cash and cash equivalents at the end of the financial year</b>	<b>15,434,024</b>	<b>22,806,468</b>

**CONSOLIDATED SITUATION OF CHANGES IN EQUITY**

	Share capital	Issue premiums	Other equity items	Legal reserves	Reported result	Total capital	Non-controlling interests	Total equity
<b>31 Dec 2020</b>	<b>26,443,139</b>	<b>25,409,965</b>	<b>(19,893,997)</b>	<b>451,993</b>	<b>(5,020,028)</b>	<b>27,391,073</b>	<b>255,237</b>	<b>27,646,310</b>
Net profit	-	-	-	-	9,626,101	9,626,101	123,078	9,749,180
Other elements of the global result	-	-	-	-	-	-	-	-
<b>Total Global result</b>	-	-	-	-	<b>9,626,101</b>	<b>9,626,101</b>	<b>123,078</b>	<b>9,749,180</b>
Transactions with shareholders	-	-	-	-	-	-	-	-
Capital share increases	21,600,551	(10,867,013)	(321,515)	-	-	10,412,024	-	10,412,024
Transactions in own shares	-	-	406,433	-	-	406,433	-	406,433
Benefits granted to employees SOP	-	-	734,080	-	-	734,080	-	734,080
Non-controlling interests	-	-	-	78,672	(78,672)	-	162,242	162,242
Dividend distribution	-	-	-	-	82,284	82,284	(121,500)	(39,266)
Distribution of the legal reserve	-	-	-	72,878	(72,878)	-	-	-
<b>30/09/2021</b>	<b>48,043,690</b>	<b>14,542,953</b>	<b>(19,074,999)</b>	<b>603,543</b>	<b>(3,335,053)</b>	<b>48,651,996</b>	<b>419,008</b>	<b>49,071,003</b>
	Share capital	Issue premiums	Other equity items	Legal reserves	Reported result	Total capital	Non-controlling interests	Total equity
<b>31 Dec 2019</b>	<b>11,620,321</b>	<b>0</b>	<b>1,118,923</b>	<b>352,151</b>	<b>(2,872,249)</b>	<b>10,219,145</b>	<b>324,703</b>	<b>10,543,849</b>
Net profit	-	-	-	-	(1,091,785)	(1,091,785)	133,555	(958,230)
Other elements of the global result	-	-	-	-	-	-	-	-
<b>Total Global result</b>	-	-	-	-	<b>(1,091,785)</b>	<b>(1,091,785)</b>	<b>133,555</b>	<b>(958,230)</b>
Transactions with shareholders	-	-	-	-	-	-	-	-
Capital share increase	13,754,374	982,966	(3,742,198)	-	(3,092,905)	7,902,237	-	7,902,237
Benefits granted to employees SOP	-	-	1,256,723	-	-	1,256,723	-	1,256,723
Dividend distribution	-	-	-	-	149,842	149,842	(209,814)	(59,972)
Distribution of the legal reserve	-	-	-	13,061	(13,061)	-	-	-
<b>30/09/2020</b>	<b>25,374,695</b>	<b>982,966</b>	<b>(1,366,552)</b>	<b>365,212</b>	<b>(6,920,159)</b>	<b>18,436,162</b>	<b>248,445</b>	<b>18,684,607</b>

**NOTA 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, 4th District, Bucharest of the following subsidiaries, all subsidiaries being registered in Romania:

	<u>30/09/2021</u>	<u>31 Dec 2020</u>
<b>SUBSIDIARIES - % ownership</b>		
Dendrio Solutions	100%	100%
Elian Solutions	51,02%	51,02%
Equatorial Gaming	98,99%	98,99%
Equatorial Training, by Equatorial Gaming	100%	100%
Computer Learning Center	100%	-
ISEC Associates	69,992%	-
IT Prepared	50,2%	-
Nenos Software	60,97%	-
Nonlinear	60%	-
<b>MINORITY INTERESTS</b>		
Softbinator Technologies (*)	18,898%	25%
E-Learning Company	23%	-

*\*holding reclassified to other financial assets (securities) at fair value on 30.09.2021*

The Group has over 150 employees and collaborators, who work for one of the 10 companies included in the group Bittnet Systems, Dendrio Solutions, Elian Solutions, Equatorial Gaming, Equatorial Training, Computer Learning Center, ISEC Associates, IT Prepared, Nenos Software, Nonlinear).

The consolidated financial statements include the results of the business combination by the acquisition method. In the statement of financial position, the assets, liabilities and contingent liabilities of the purchasing entity are initially recognized at their fair values at the acquisition date. The results of the acquired operations are included in the consolidated statement of comprehensive income from the date of obtaining control (Dendrio Solutions - September 2017, Elian Solutions - November 2018, Equatorial Gaming and Equatorial Training – December 2020, Computer Learning Center, ISEC Associates, IT Prepared, Nenos Software, Nonlinear – August 2021).

**Bittnet Systems S.A.**

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

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

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

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



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

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

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

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

Since June 2020, Bittnet shares (symbol BNET) are listed on the Regulated Market of BVB.

#### **Dendrio Solutions**

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

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

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

#### **Elian Solutions**

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

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

#### **Equatorial Gaming**

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

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

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

**Computer Learning Center & ISEC Associates**

In August 2021, the Group informed investors about the signing of the sale-purchase agreements for the acquisition of the cyber security company – ISEC Associates SRL and the IT training company - Computer Learning Center.

The purchase price for 100% of the company Computer Learning Center (CLC) is RON 725,000, which will be settled in 2 instalments: the first instalment, amounting to RON 225,000, has already been paid by payment order in August, and the second instalment – amounting to RON 500,000 is conditional on the elimination from CLC's patrimony of assets that are not relevant for the company's current activity.

Bittnet Group strengthens its Education division and expands its certification portfolio, especially in the cyber security sector. The company collaborates with more than 30 certified trainers and has delivered more than 2,500 courses to 15,000 participants over the past years.

Following Bittnet Systems' entry into the shareholding, the parties also signed a loan agreement by which the Issuer made available to The E-Learning Company the amount of RON 560,000 for financing the working capital for a maximum period of 3 years and an interest of 9 % per year.

The purchase price for the purchase of 69.99% of ISEC Associates' shares is RON 295,000, which was paid in a single instalment by bank transfer to the founding shareholder, Alexandru Andriescu.

ISEC Associates is a company founded in 2003, specializing in comprehensive security auditing, consulting and testing services. ISEC helps companies identify, assess, secure and manage information security. By acquiring ISEC, Bittnet is expanding its position in the cybersecurity market.

Following Bittnet Systems' entry into the shareholding, the parties also signed a loan agreement by which the Issuer made available to The E-Learning Company the amount of RON 370,000 for financing the working capital for a maximum period of 3 years and an interest of 9 % per year.

Computer Learning Center and ISEC Associates have been consolidated in the financial statements effective September 2021.

**IT Prepared**

In August 2021, the Group informed investors and the Market about the completion of negotiations and the signing of the agreement to acquire a majority stake in IT Prepared SRL. The transaction price amounts to USD 673,200 for 50.2% of the company's share capital 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 the signing of the share sale and purchase agreement, through a payment order to the two founding shareholders of IT Prepared;
- Instalments 2 and 3, amounting to USD 265,200 and USD 142,800 respectively, will be paid to the founders of IT Prepared through settlement 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. BNET shares for each of instalments 2 and 3 will be issued after the closing and approval of IT Prepared's financial statements for 2021 (instalment 2) and 2022 (instalment 3).

The transaction for the acquisition of the majority stake in IT Prepared SRL was approved by the Shareholders at the GMS on 26 November 2020. Taking into account that the financial and operational situation of IT Prepared SRL changed between the time of the approval granted by the EGMS and the time of signing the investment agreement, the parameters of the transaction were renegotiated to the benefit of Bittnet, the final valuation being reduced by half (thus Bittnet took over the majority stake), and the payment being dependent on the confirmation of positive operational results in 2021 and 2022.

IT Prepared has been consolidated in the financial statements from September 2021.

### **Nenos Software & Nonlinear**

In August 2021, the Group informed the capital market about the completion of negotiations and signing of contracts for the acquisition of majority stakes in the software developer Nenos Software SRL and Nonlinear SRL.

The value of the transaction for the acquisition of 60.97% of Nenos Software is RON 4,850,000, price settled in two instalments as follows:

- A percent of 50% of the transaction price (i.e. RON 2,425,000) was paid by bank transfer to the account of the sole shareholder of Nenos Software;
- A percent of 50% of the value of the transaction will be settled through the allocation of Bittnet shares to the sole shareholder of Nenos Software, which will be completed through a capital increase. The actual number of BNET 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.

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

Nonlinear has signed during 2021 a non-reimbursable financing contract for the development of a digitization product, aimed at SMEs and micro-enterprises, which will allow the automation of some HR processes, accounting, invoicing, etc. The product is a no-code platform, where the automation of processes can be done by employees who do not have programming knowledge. The grant funding is €1.5 million, with an own contribution of €0.5 million.

By acquiring the majority stakes in Nenos Software SRL and Nonlinear SRL, Bittnet consolidates its position in the software development division, while also entering the artificial intelligence sector.

Nenos Software and Nonlinear have been consolidated in the financial statements from September 2021.

### **The E-Learning Company S.A.**

According to the November 2020 mandate of the General Meeting of Shareholders, Group's management has completed in January 2021 negotiations to acquire 23% of the share capital of The E-Learning Company (ELC).

The E-Learning Company has a portfolio of solutions and various products structured in several directions covering areas such as personal and professional development, communication, sales and negotiation, marketing, human resources, project management, Microsoft Office, finance, English, etc.

The total estimated value of the transaction is dimensioned at the amount of RON 1.75 million. Payment to the founders of E-Learning Company will be made in two stages, according to Decision no. 6 of Bittnet EGMS from November 2020, through a mix of cash and BNET shares:

- The first instalment amounting to RON 850,000 was fully paid in cash, the amount of RON 450,000 during Q1 2020, and the remainder in April 2021. Bittnet's management took the decision to pay the full amount of instalment 1 in cash, considering the long processing time of the operation to clear the previous M&A transactions – the acquisition of 25% of Softbinator and 99% of Equatorial Gaming – with shares to the founders.
- The second instalment will be calculated at the beginning of 2022, subtracting the value of the first instalment from the transaction price.

The exact price of the transaction and the allocation between cash and compensation by BNET shares will be made depending on the fulfillment of certain profitability indicators that ELC aims to obtain for the financial year 2021. The number of shares for the compensation of each of the two tranches will be determined in accordance with the provisions of art. 210(2) of Law no. 31/1990 and Articles 87-88 of Law no. 24/2017 on issuers of financial instruments and market operations and Article 174 of the FSA Regulation no. 5/2018. As a result of the investment contract, Bittnet has allocated a position in the Board of Directors of E-Learning Company, a position that will be occupied by Ilylon Management SRL through Logofatu Cristian. Bittnet has decided to participate in ELC in order to reach certain minimum profitability limits, which is why, in the coming years, the distribution of dividends will be pursued, so that Bittnet can achieve a return of at least 18% annually provided that ELC to achieve a degree of profitability at least equal to this percentage.

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

### **Chromosome Dynamics**

In August 2021, the Group's management decided to invest alongside Impetum Grup in a company that aims to develop IT and artificial intelligence solutions for customers in the agribusiness industry, according to the partnership announced since 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 CHRD voting rights, including share premiums.

Chromosome Dynamics achieved a turnover of almost RON 1 million in 2020 and of RON 2.5 million on June 30, 2021; the company develops solutions oriented to the needs of farmers for the engineering of processes. CHRD is the developer of AGROBAZAR APP, which models the consulting-selling-purchasing process in agribusiness, representing a one stop shop for farmers in Romania. The app provides farmers with agribusiness consulting, agricultural machinery and inputs – seeds, pesticides, fertilizers – having so far more than 10.000 active users.

The company has announced its intention to conduct a private placement of shares in Q4 2021 with a view to listing on the AeRO-SMT market of the Bucharest Stock Exchange. Subsequent to the completion of the placement, and in accordance with the investment agreement, Bittnet Group will have first option to deliver technology projects alongside CHRD.

### **The Group's Management**

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

- 1) **Ivylon Management SRL** by **Mihai Alexandru Constantin Logofatu**. On the date when this note is drafted, Mihai Logofatu owns a number of 48,955,075 shares, which represents 12.3760% of the share capital and voting rights. Mihai Logofatu is the co-founder of Bittnet Systems.
- 2) **Cristian Ion Logofatu**, who owns a number of 44,546,425 shares, which represents 11.2615% of the share capital and voting rights. Cristian Logofatu is the co-founder of Bittnet Systems.

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

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

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

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

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

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

The Advisory Board meets at least 4 times a year and is presented with internal management reports, and board members assist and guide the Company's management in the strategic decisions.

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

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**NOTA 2. BASIS OF THE INTERIM REPORT**

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

The consolidated reporting for the **9-month period ended 30 September 2021** has been prepared in accordance with IAS 34 "Interim Financial Reporting". This report does not include all information and disclosures that would be required in a complete set of IFRS financial statements and should be read in conjunction with the 2020 annual financial statements.

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

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

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

**Essential reasoning**

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

**Estimates and assumptions**

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

### **NOTA 3. SIGNIFICANT EVENTS AND TRANSACTIONS**

#### **The economic context**

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

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

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

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

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

#### **Cyclical/seasonality of income**

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

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

#### **Main Market – Bucharest Stock Exchange transfer**

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

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

On September 10, Bittnet informed investors about the decision of the Bucharest Stock Exchange Indices Commission, meeting on September 9, 2020, to include the Company's shares in the BVB indices: BET-XT (Bucharest Exchange Trading Extended Index), BET-XT-TR (Bucharest Exchange Trading Extended Total Return Index), BET-BK (Bucharest



Exchange Trading Benchmark Index) and BET-Plus Trading Plus Index). The entry into force of the changes at the level of the respective indices took place starting with September 21, 2020. The inclusion of BNET shares in BET-XT, BET-BK and BET-Plus indices was based on indicators such as liquidity, stock market capitalization and free-float, and confirms the evolution of Bittnet market value and liquidity.

#### NOTA 4. INFORMATION BY ACTIVITY SEGMENTS

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

Bittnet Group operates two key divisions: Education and Technology.

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

The trainings provided by **Bittnet, Equatorial and Computer Learning Center** 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 **Eliau**, as well as by **ISEC Associates, IT Prepared, Nenos Software** and **Nonlinear**. This activity has a shared portfolio of products, services and solutions and a larger team that will allow a greater volume of work, both technically and in terms of sales.

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

OPERATIONAL RESULTS	9 months ending on September 30, 2021			9 months ending on September 30, 2020		
	Education	Technology	Total	Education	Technology	Total
Total revenues	8,148,458	74,135,091	82,283,549	8,578,847	69,216,177	77,795,024
Revenues between segments	(43,653)	(292,839)	(336,492)	(3,121)	(274,442)	(277,563)
<b>Revenues from contracts with clients</b>	<b>8,104,806</b>	<b>73,842,251</b>	<b>81,947,057</b>	<b>8,575,726</b>	<b>68,941,735</b>	<b>77,517,461</b>
<b>Gross margin</b>	<b>4,147,412</b>	<b>13,718,462</b>	<b>17,865,874</b>	<b>5,124,101</b>	<b>9,757,333</b>	<b>14,881,434</b>
Allocated sales costs	(2,438,852)	(4,099,973)	(6,538,824)	(1,450,507)	(3,735,469)	(5,185,976)
<b>Margin, after sales costs</b>	<b>1,708,560</b>	<b>9,618,490</b>	<b>11,327,050</b>	<b>3,673,594</b>	<b>6,021,864</b>	<b>9,695,458</b>
Other incomes	876,551	2,588,870	3,465,421	302,693	119,786	422,479
Unallocated operating expenses			(9,341,651)			(7,921,140)
Financial income / expenses			5,318,687			(3,107,060)
<b>Gross result</b>			<b>10,769,507</b>			<b>(910,263)</b>

ASSETS / LIABILITIES	30/09/2021			30/09/2020		
	Education	Technology	Total	Education	Technology	Total
Assets by each segment	36,221,693	59,617,474	95,839,167	18,481,199	42,318,939	60,800,137
Unallocated assets			17,363,054			21,085,279
<b>Total Assets</b>			<b>113,202,221</b>			<b>81,885,416</b>
Debts by each segment	2,437,263	41,636,712	44,073,975	4,345,462	56,725,461	61,070,923
Unallocated debts			19,028,871			2,129,885
<b>Total debts</b>			<b>63,102,846</b>			<b>63,200,809</b>

Revenues from customer contracts are detailed in the following table:

	9 months ending on:	
	30/09/2021	30/09/2020
Training services	8,104,806	8,575,726
IT solutions integration services	17,483,711	13,545,042
<b>Revenues from the provision of services</b>	<b>25,588,517</b>	<b>22,120,767</b>
Selling goods integrating IT solutions	25,377,173	24,976,901
Resold licenses	30,981,367	30,419,792
<b>Sale of goods</b>	<b>56,358,540</b>	<b>55,396,694</b>
<b>Total</b>	<b>81,947,057</b>	<b>77,517,461</b>

### Training services

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

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

### IT solutions integration services

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

In general, the revenues are recognized at a specific time, at the end of the implementation as a result of fulfilling the execution obligation.

### Revenues from the sale of goods and licenses

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

### Revenues from a geographical perspective

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

## NOTA 5. OTHER INCOMES

### Business Autodesk selling

On 30.09.2021, it was concluded the sale and purchase agreement regarding the transfer of the Autodesk business between Dendrio Solutions SRL and GRAPHEIN INTERNATIONAL SRL. The contract price is of € 450,000 and will be received by Dendrio Solutions in 4 instalments until 2024. The contract provides for the transfer to the buyer (Graphein International) of Dendrio's business activity based on the relationship with the American technology vendor Autodesk, meaning the transfer of ongoing contracts with customers, the transfer of knowledge, as well as



Gold Partner status. The funds raised from this transaction will be reinvested in the development of strategic – cloud and cybersecurity business lines of the group – and in potential future M&A transactions in these areas.

#### **Debt restructuring Computer Learning Center/ ISEC Associates**

In September, after the registration of the new shareholding structure of Computer Learning Center and ISEC Associates, the Group contacted the creditors of these companies to restructure their debts, taking into account the new financial position of the two companies that recently joined the Bittnet Group – concluding a payment agreement for each company.

Under the two payment agreements, CLC and ISEC have committed to immediately pay 35% of the total amounts owed in exchange for the entire historical debt settlement, thereby strengthening their financial position. In this regard, Bittnet granted a loan of RON 560,000 to Computer Learning Center and of RON 370,000 to ISEC Associates, with which funds were transferred to CLC and ISEC creditors, according to the agreements.

In anticipation, the Group's Management decided to include in the Group's consolidated income as at 30.09.2021 only 50% of the one-off income realized by the two companies, Computer Learning Center and ISEC Associates, in September 2021 following the debt restructuring. This decision was taken in consideration of the fact that all identifiable assets, liabilities and contingent liabilities of the acquired companies will be subject to valuation in Q4 2021 in order to determine their fair values at the acquisition date, which values will be initially recognised in the Group's consolidated statement of financial position.

#### **NOTA 6. CLASSIFICATION OF EXPENSES BY THEIR NATURE**

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

	<b>9 months ending on:</b>	
	<b>30/09/2021</b>	<b>30/09/2020</b>
Materials and goods	21,919,074	22,664,819
Resold licenses	26,856,306	26,955,669
Staff expenditure	7,130,631	5,897,200
Expenses with collaborators	8,618,355	7,403,622
Amortization	1,946,871	1,481,448
Cloud services	4,199,042	3,650,522
Rent expenditure	201,589	112,178
Commissions and fees	218,935	164,105
Advertisement	1,313,033	693,405
Travel and transportation	65,243	43,160
Insurance	134,646	118,617
Telecom and post expenditure	90,370	95,518
Donations	132,938	18,145
Receivables adjustments	-	-
Bank fees	75,933	51,547
Services provided by third parties	6,570,354	5,985,789
Other expenditures	488,339	407,400
<b>Total operating expenses</b>	<b>79,961,658</b>	<b>75,743,143</b>

## **NOTA 7. EQUIVALENT SECURITIES**

### ***Equivalent securities***

#### **Equatorial Gaming**

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

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

Equatorial Gaming has been consolidated since December 2020.

#### **Softbinator Technologies**

In December 2020, Bittnet Group acquired a 25% stake in Softbinator Technologies, the first investment of the group in a software development company. The investment was accounted for using the equity method from the date it became associated party, i.e. December 2020 until September 30, 2021. In applying the equivalent/equity method, the financial information was used on December 31, 2020.

#### **The E-Learning Company**

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

### ***Other financial assets (securities) at fair value***

#### **Softbinator Technologies**

In December 2020, Bittnet Group acquired a 25% stake in Softbinator Technologies for the amount of RON 8,127,500, the first investment of the group in a software development company. In December 2020, Bittnet held 22,500 shares, with a nominal value of RON 1 per share, out of a total subscribed and paid-up capital of RON 90,000, divided into 90,000 shares.

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.

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

#### ***Softbinator Technologies share listing(trading symbol: CODE)***

At the end of August 2021, Softbinator Technologies announced its intention to list on the AeRO market of the Bucharest Stock Exchange (under the trading symbol CODE) by the end of the year. Prior to the listing, Softbinator Technologies also announced its intention to conduct a private placement to raise capital to expand the company internationally.

In order to carry out the private placement for the sale of shares, as well as for the admission to trading on the AeRO-SMT market of the BVB for CODE shares, several operations were carried out, pre-placement, as follows:

##### ***a) Convening of the General Meeting of Shareholders***

On 09.09.2021, the shareholders of Softbinator Technologies decided to reduce the nominal value of a Softbinator Technologies share from the value of RON 1 per instrument to the value of RON 0.1 per instrument. As a result of the

reduction/split of the nominal value, new shares were issued to existing shareholders in a ratio of 9:1 (nine new shares issued for each share held at the record date).

Following this transaction, Bittnet Systems held a total of 225,000 shares, representing 25% of the 900,000 issued shares of Softbinator Technologies.

*b) Increase of the share capital by RON 10,000*

The shareholders of Softbinator Technologies decided on 09.09.2021 to reduce the nominal value of a Softbinator Technologies share from the value of RON 1 per instrument to the value of RON 0.1 per instrument. The shares were allocated in proportion to the holdings of each shareholder. As a result of the increase, the share capital of Softbinator Technologies reached a subscribed and paid-up capital of RON 100,000, divided into 1,000,000 shares, and the shareholder Bittnet Systems was allocated 25,000 new shares free of charge, with a nominal value of RON 0.1 per share and a total nominal value of RON 2,500.

Following this transaction, Bittnet Systems held a total of 250,000 shares, representing 25% of the total shares of Softbinator Technologies.

*c) Transfer of newly issued shares as treasury shares*

The shareholders of Softbinator Technologies unanimously decided on 09.09.2021 that 10% of the total number of shares held, i.e. all the shares issued and allocated as a result of the capital increase operation described above, be made available to Softbinator Technologies as treasury shares for the purpose of trading in the private placement. In this respect, the shareholder Bittnet Systems has transferred to the treasury of Softbinator Technologies a number of 25,000 CODE shares at a nominal value of RON 0.1 per share, for which it has received the consideration of RON 2,500 – nominal value.

Following this operation, Bittnet Systems held a total of 225,000 shares, representing 22.5% of the total shares of Softbinator Technologies, and 25% of the voting and profit-sharing rights taking into account that treasury shares do not have voting rights and cannot receive dividends.

*d) Transfer of Softbinator shares*

At the end of September 2021, prior to the completion of the private placement, Bittnet Systems sold a total of 36,020 Softbinator Technologies shares to various natural persons and legal entities. The transfer of shares was made at the maximum price of the placement (RON 60 per share), outside the capital market mechanisms and represents 3.602% of the share capital and shares of Softbinator Technologies. As a result of these transactions, Bittnet Systems received RON 2.16 million.

Following these transactions Bittnet held a total of 188,980 shares, representing 18.898% of the total shares of Softbinator Technologies.

*e) Private placement*

Within the private placement a total of 100,000 CODE shares, i.e. 10% of the company's share capital (shares transferred by Softbinator Technologies shareholders to the company's treasury as described above), were offered to investors at a price between RON 50 and 60 per share. A total of 143 individual and professional investors participated in the placement, and the offering closed early on the first day, in the context of an oversubscription of almost 8 times, with investors placing orders for a total amount of over RON 49 million. The final price per share was set at the maximum value of the offer, i.e. RON 60. Following the processing of the transaction, Softbinator attracted a cash contribution of RON 6 million. Softbinator shares will be available for trading in the coming period under the symbol CODE.

***Reclassification of Softbinator Technologies investment***

Following the operations described above, Bittnet Group has reviewed the reclassification of the investment in Softbinator Technologies as of 30.09.2021.

Thus, taking into account that at the time of Bittnet's investment in Softbinator, one of the essential elements of the operational construction was Bittnet's access to the capital market to support Softbinator's development projects, and that this differentiating element disappeared with Softbinator's direct access to the capital market through the private placement of CODE shares, the Group's management took the decision to give up its involvement in the management of Softbinator Technologies' business and to maximize the profit resulting from the remaining holding

in CODE shares. Otherwise, the 188,980 shares held as at 30.09.2021, representing 18.898% of Softbinator Technologies' share capital, will remain in the Group's portfolio for sale with a view to maximizing profit in the following periods. In addition, by the end of the year, the Group will also formally relinquish the position held within the Board of Directors of Softbinator Technologies through Ivlyon Management.

The Group has analysed through the perspective of the provisions of IAS 28 the criteria for exercising significant influence over entities in which there is an ownership interest, and has concluded that it no longer exercises and does not intend to exercise significant influence over Softbinator Technologies as of 30.09.2021. As such, the Group has decided to reclassify its remaining holding in Softbinator Technologies as at 30.09.2021 from securities at par to securities held at fair value.

On 30.09.2021, the holding in Softbinator Technologies was revalued using as reference price the price of RON 60 per share, equal to the price established following the private placement with CODE shares, a placement oversubscribed by almost 8 times. The Group's management considered that, in a conservative approach, the price established through the private placement represents the fair value of CODE shares on 30.09.2021.

### **Safetech Innovations**

#### **The assessment at fair value**

In October 2020, the Company's management invested in the private placement organized in order to increase the share capital of the cyber security company Safetech Innovations SA. The investment was made within the mandate that the executive management has according to the Articles of Association. During the placement, Bittnet subscribed the maximum possible amount, respectively RON 2,500,000 for all the 625,000 Safetech shares offered (20% of the share capital). Bittnet's intention was to make a significant investment by entering Safetech's shareholding in a percentage relevant to Bittnet and to treat the investment in the same way as the other investment in the Group.

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

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

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

In all scenarios and from the perspective of market multiples for listed technology companies, both on the Romanian capital market and on other financial markets, from the point of view of valuation multiples, Safetech's share appeared undervalued in relation to the initial subscription price. The company chose the model with the highest degree of prudence, which led to the revaluation of the investment in Safetech Innovations to the value of RON 1,457,900 on 31.12.2020.

On 30.09.2021, the investment in Safetech Innovations shares was revalued using the average trading price on the AeRO market on 30.09.2021.

### **Arctic Stream**

#### **The assessment at fair value**

In June 2021, the Company's management invested in the private placement organised prior to the listing of Arctic Stream (AST) shares on the AeRO-SMT market. Arctic Stream is an IT integrator with a focus on the technologies of US manufacturer Cisco Systems, a competitor of Dendrio Solutions in this market segment. The investment was made under the mandate that the executive management has under the Articles of Incorporation and will be submitted for shareholder ratification at the EGMS on September 7, 2021.

In the private placement, Bittnet has 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 closing on the first day of the placement and the massive oversubscription, the intermediary of the offering informed Bittnet

that it had been allotted a total of 74,632 AST shares, representing 1.78% of the share capital and 1.78% of the voting rights. 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 AeRO market, at a price approximately 40% higher than that of the private placement.

In order to revalue 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 companies listed in the IT area (apart from BNET), i.e. Life is Hard, Ascendia and 2Performant, Safetech Innovations, as well as other technology companies listed on 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 to the value of RON 2,425,540 on 30.06.2021.

On 30.09.2021, the investment in Arctic Stream shares was revalued using the average trading price on the AeRO market on 30.09.2021.

**NOTA 8. CAPITAL AND RESERVES**

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

	30/09/2021	31 Dec 2020
Share capital	48,043,690	26,443,139
Issue premiums Legal reserves	14,542,953	25,409,965
Other equity items	(19,074,999)	(19,893,997)
Legal reserves	603,543	451,993
Reported result	(5,089,293)	(5,915,155)
Current global result	9,626,102	895,127
<b>Total</b>	<b>48,651,996</b>	<b>27,391,073</b>

**a) Share capital**

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

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

Shareholders and % held	30/09/2021	31 Dec 2020
Mihai Logofatu	11,64%	13.35%
Cristian Logofatu	10,59%	12,15%
Others	77,77%	74,50%
<b>Total</b>	<b>100%</b>	<b>100%</b>

*Increase in share capital by incorporating reserves - July 2021*

The share capital was increased by incorporating the reserves and issue premiums according to the EGMS Decision no. 2 of April 2021 and the Decision of the Board of Directors of 06.07.2021 and free shares were distributed: 6 new shares for every 10 shares held on the registration date – July 21, 2021. The transaction was completed in July 2021 with the loading of 148,336,965 shares into the trading accounts of the shareholders.

Additionally, the share capital of Bittnet Systems was increased by issuing a number of 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 2021 and the Decision of the Board of Directors of 06.07.2021.

For the shares from point 2, the shareholders from the registration date - July 21, 2021 - were able to opt online, between July 26 and August 3, to make these new shares available to the Company to be used in incentive programs for key persons, approved in previous years by the GMS, in this case collecting a cash distribution equal to the nominal value of the newly issued shares.

During the option period, the Issuer received a total of 325 options from 325 shareholders representing a total of 167,393,769 voting rights, i.e. 67.70% of the Issuer's total voting rights. Of the options cast, 210 shareholders representing 162,611,497 voting rights, i.e. 65.77% of the total voting rights opted for OPTION 1 - i.e. for cash distribution and leaving the newly issued shares at the company's disposal. The Company distributed to these

shareholders the amount of RON 1,626,109.60 starting from August 4, through the Central Depository system, with Banca Transilvania as paying agent.

On 10.09.2021, the Central Depository allocated, on the record date, shares in Section 1 to shareholders who opted out of the cash distribution or did not take any action during the option period. At the same time, the Central Depository charged to the Issuer's account a total of 16,261,096 treasury shares.

In connection with the share capital increase operations described above, the Board of Directors (BoD) issued a Decision on 06.07.2021, which established the retention of the allocation ratio of 7 bonus shares to 10 shares held at the record date according to the mandate granted by the General Meeting of Shareholders on 27.04.2021 by resolutions of the EGMS No. 2 and 3. This decision was necessary considering that at the date of the GMS, the coordinates of the capital increase with free shares were applied to the entire share capital registered at that time in the records of the Trade Register (ReCom) – RON 28,260,994.30, i.e. 282,609,943 shares – values resulting from the processing of the capital increase operations decided in August 2020 and December 2020 and registered at Trade Register since the end of 2020.

In this regard, in order not to disadvantage any of the shareholders as of the registration date (July 21, 2021), but also the creditors in the two capital increase operations, so that they would receive the rights resulting from their BNET shareholdings on the date of payment of the new shares, the Board of Directors decided, as mandated by the two EGMS resolutions, to keep the increase ratio established by the EGMS, but applied to the number of shares registered with the ASF and the Central Depository (247,228,275 shares). The Board of Directors' decision of 06.07.2021 was issued in accordance with the mandate given to the Board of Directors by the shareholders in the EGMS of 27.04.2021.

Therefore, initially, a total of 148,336,965 shares were issued (as per EGMS Resolution no. 2/27.04.2021) which were distributed to all shareholders as of the record date, July 21, 2021, in proportion to their shareholdings and in the ratio that was decided by the EGMS (of 6 free shares per 10 shares held as of the record date). The difference of 21,229,001 shares, up to a total of 169,565,966 shares, was allocated to the rightful persons by the Central Depository in view of the fact that the ASF issued the registration certificate.

The same principle was applied to the capital increase decided by the Extraordinary General Meeting of 27.04.2021, in point 3, mentioning that those creditors who were shareholders on the registration date, July 21, 2021, will be able to opt to leave the newly issued share at the Company's disposal and receive its nominal value instead. As such, a total of 24,722,828 shares will be issued in the first phase, in proportion to the holdings of all shareholders as of the record date and according to the allocation ratio established by the EGMS: 1 free share for every 10 shares, for which the option was given to distribute the nominal value in cash or to allot 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 records of the Trade Register, was allocated to the rightful persons by the Central Depository in view of the fact that the ASF issued the registration certificate.

The ASF registered the operation and the Central Depository processed it, the subscribed and paid-up share capital of the issuer registered in the records of the Trade Register, the ASF and the Central Depository amounting to RON 48,043,690.40, divided into 480,436,904 BNET shares, each having a nominal value of RON 0.1.

#### *Increase in share capital by incorporating reserves*

The share capital was increased by incorporating the reserves and issue premiums according to the EGMS Decision no. 2 of 27 April 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.

In addition, Bittnet Systems' share capital was increased by issuing 28 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 27 of April 2021 of the Extraordinary General Meeting of Shareholders. Shareholders could choose online to make these new shares available to the Company for use in stock options plans for key persons approved by the GMS, in which case they receive a cash distribution equal to the nominal value of the new share. The distribution was transferred by the Company through the Central Depository at the beginning of August 2021.



As a result of this operation, the Central Depository has loaded in the company's account on 10.09.2021 a number of 16.2 million shares (registered as treasury shares without voting rights), and in the accounts of the shareholders who have not opted for cash distribution - 8.4 million shares, according to their option.

In November 2021, the ASF issued the Certificate of Registration for the entire share capital registered in the records of the Commercial Registry, also processing the allocation of the difference of shares that was charged to the issuer according to the options expressed by the shareholders during the option period: 3.4 million treasury shares.

#### *Increase in share capital through debt conversion in December 2020*

Based on the mandate conferred by the EGMS Decisions no. 4 and no. 5 of 26.11.2020, the Board of Directors signed two contracts for sale - purchase of shares, for the acquisition of participations in Equatorial Gaming and Softbinator Technologies, respectively, and established the settlement share between cash and BNET shares for each of the 2 transactions. Thus, the total amount of investments in the 2 companies is RON 11,073,500, and the Board of Directors decided to pay the amount of RON 4,423,500 in cash and RON 6,650,000 in BNET shares. Following these operations, Bittnet Systems holds a share of 98.99% in Equatorial Gaming and of 25% in Softbinator.

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

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

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

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

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

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

ASF issued the registration certificate for this operation and the Central Depository processed the allocation of BNET shares to the entitled persons on 21.10.2021.

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

Between January and March 2021, the offer period took place within the capital increase with new cash contributions approved by the EGMS Decision no. 4 of April 29, 2020. Thus, in Phase 1 – carried out between January 27 and February 25, 2021 - 17,359,142 new shares (95.49% of the total) were subscribed at the price of RON 0.59 per share.



The price provided in the offer (composed of the nominal value plus the issue premium) was determined according to the EGMS Decision and the formula approved by it for the issue premium:  $[(\text{average trading price last 30 days}) / 1,2] - 0,1$ .

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

During the two phases of the capital increase operation, the 18,178,550 new shares were subscribed, i.e. 100% of the issue, the Company raising a financing amounting to RON 10,733,538.58. Following the subscriptions of the 18,178,550 new shares were allocated in the subscribers' accounts a number of allocation rights (symbol BNETR09) equal to the total number of subscribed shares. The allocation rights entered into Trading within the BVB Regulated Market starting with April 10, 2021 after receiving the CIIF and their registration in the FSA records as financial instruments.

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

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

#### **b) Issue premiums**

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

#### **c) Legal reserve**

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

#### **d) Other equity items**

### **Essential reasoning – recognition and assessment of SOP**

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

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

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

### **Significant estimates - SOP evaluation**

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

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

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

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

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

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

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

#### **SOP 2018**

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

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

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

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

The transaction was completed with the issuance of the registration certificate by the Financial Supervisory Authority and the Central Depository allocated the issued shares to the global accounts of the key persons on 21.10.2021.

**SOP 2019**

By the EGMS Decision no. 4 of 24.04.2019 Bittnet shareholders voted a stock option plan for key persons with a duration of 2 years, amounting to a maximum of 5% of the total shares of the Company. 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 corresponding to the stock market capitalization as of 31.12.2018.

A number of 29 key persons exercised the option to purchase a total number of 9,072,821 BNET shares at the price of RON 0.224084401 per share. As a result of this transaction, the Company recorded a receivable in relation to key persons in the amount of RON 2,033,080. The number of options exercised (9,072,821) represented 3.6698% of the Company's share capital at the implementation date.

The method of settling the incentive program with options in this way is something which constitutes a starting point and could be implemented in this way due to the treasury shares loaded to the Company's account in December 2020. These shares were acquired by the Issuer following the implementation of the EGMS Resolution no. 3 of April 2020 and the special option procedure carried out last summer. Thereby, shareholders as of the record date July 21, 2020 could opt to receive the nominal value of the newly issued share and thus leave the share at the disposal of the Issuer for the implementation of key person incentive programmes.

**SOP 2020A**

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

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

**SOP 2020B**

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

**SOP 2021**

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

**NOTA 9. BONDS**

Details of bond issues loans are presented in the following table:

	<b>30/09/2021</b>	<b>31 Dec 2020</b>
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
Accrued interest	425,791	889,781
<b>Total, of which:</b>	<b>24,470,124</b>	<b>29,247,105</b>
Long-term share	24,044,334	28,357,324
Short-term share (interest)	425,791	889,781

The Group conducted in 2016, 2017 and 2018 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).

On April 2, 2021, Bittnet Systems notified the Market about the Decision of the Board of Directors dated 01.04.2021 to exercise the call option (callback) 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 the BVB, the redemption price of the BNET22 issue was 100% of the nominal value, and the record date for identifying the bonds whose instruments were redeemed was 06.05.2021. The date of the actual payment of the money was set on 13.05.2021. Also, according to the BVB Code, BNET22 bonds were suspended from trading as of 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 fraction of a coupon 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) to the date of the actual payment of the nominal value of the redeemed issue, i.e. up to and including 13.05.2021. The Company's management has taken the decision to redeem the BNET22 issue in advance in order to reduce the interest financial expenses.

**NOTA 10. BANK LOANS**

Details regarding bank loans are presented in the following table:

	<u>30/09/2021</u>	<u>31 Dec 2020</u>
ProCredit credits TL	5,040,969	7,227,824
ProCredit line 4.5 mill.	4,500,000	4,500,000
ING line 2 mil.	896,488	51,151
Raiffeisen (IMM invest)	322,088	375,472
<b>Total, of which:</b>	<b>10,759,545</b>	<b>12,154,447</b>
Long-term share	7,500,616	4,570,517
Short-term share	3,258,928	7,583,930

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

On 23.07.2021, the additional deed of extension of the credit line – revolving overdraft in the amount of 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 as the initial credit agreement. The interest rate remained ROBOR3M+2.4% per year, and the purpose of the product is to finance working capital and current activities of Dendrio Solutions.

On 16.08.2021, the additional deed of extension of the credit line – revolving overdraft in the amount of RON 2 million – contracted by Dendrio Solutions from ING Bank in November 2018 was signed. The extension was made for a period of 12 months – until August 2022 – under the same conditions as the initial agreement. Interest rate remained ROBOR1M+2.9% per year

**NOTA 11. INFORMATION REGARDING THE RELATION WITH RELATED PARTIES**

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

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

	<b>9 months ending on:</b>	
	<u>30 Sept 2021</u>	<u>30 Sept 2020</u>
Management contracts	528,837	422,540
SOP expenditure	397,445	541,642
<b>Total</b>	<b>926,282</b>	<b>964,182</b>
 <b>Debts</b>	 <b>30 June 2021</b>	 <b>31 Dec 2020</b>
Key employees	62,093	57,093
<b>Total</b>	<b>62,093</b>	<b>57,093</b>

<b>Receivables and loans</b>	<b>30 Sept 2021</b>	<b>31 Dec 2020</b>
E-Learning Company – main loan	240,000	-
<b>Total</b>	<b>240,000</b>	<b>-</b>

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

## **NOTA 12. COMMITMENTS**

### **Conclusion of the ONE Cotroceni Park rental contract**

Bittnet Group had its working point in 26 Bd. Timisoara, Plaza Romania Offices building since 2017. The space was contracted in 2017 when the need for an office area was evaluated 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 expanded by adding a space for temporary storage of goods, as well as an area dedicated to meetings with customers. At the end of Q1 2019, the Elian Solutions team as well as the ex-Crescendo team were transferred to the new premises.

At the EGMS of 26.11.2020, shareholder approval was requested for the expansion of the office space explained:

- the company's current need for expansion in the context of the positive developments in 2019-2020 and the growth prospects communicated to shareholders for 2021-2024;
- the need to accommodate new teams resulting from planned and announced acquisitions. Part of these M&A transactions were subject to the approval of the EGMS on 26.11.2020 ( Equatorial, IT Prepared, The E-Learning Company, Softbinator) and another part is subject to the approval of the EGMS on 07.09. 2021 (ISEC Associates, Computer Learning Center, TopTech, Nenos Software, Nonlinear), and to support this growth from "almost single to double", the currently mostly virtual space for teams to work, meet and collaborate needs to be complemented by a tangible, on-the-ground solution.

At the same time, the hybrid working models that have emerged recently in all fields have shown that the element of surprise must be taken into account. Clearly, with the new workspace regulations (distance between people) and the proposed General Assembly transactions, the need for more office space will become much higher than now.

According to the mandate given by the General Meeting of Shareholders to the CEO at the meeting of 26.11.2020, Bittnet Group has negotiated with the present suppliers in the market an optimal solution for the current development plans.

Following negotiations with various representatives, a new lease agreement was signed with ONE United Properties for a space in the ONE Cotroceni Park (OCP), building, for a period of 5 years with the start date of 01.02.2022. The previous lease contract with Bucuresti Mall Development and Management SRL was unilaterally terminated by Bittnet Systems as of 31.05.2021.

The new office space of Bittnet and its member companies in the group will be in the OCP building which is located near the Military Academy metro station. This project is part of the Central West office area, the most dynamic business pool in the Capital at present and the second largest in the market after the Central North area. With over 280,000 sqm of

class A office space delivered in the last three years and enjoying a special anchor, namely the Polytechnic University, the Central West office area is Bucharest's new IT hub.

ONE Cotroceni Park is designed aiming for LEED Platinum certification, focusing on sustainable operation and minimal environmental impact. This project will also be awarded a WELL certification, aiming to enhance the health and well-being of its occupants and therefore people's productivity, engagement and retention.

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

Phase 1 of the project, of which the future Bittnet offices are part, will be delivered during the 4th quarter of 2021, which is why during the transition period a temporary lease contract was signed, with a duration of 6 months, the working point, not yet established, being located in Bucharest, 8-10 Tudor Arghezi street, Unimed Building, 1st Floor, TOF112 area, 2nd District.

### **NOTA 13. EVENTS AFTER THE BALANCE SHEET DATE**

#### **I. Chromosome Dynamics S.A. (CHRD) private placement**

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

Subsequently Chromosome Dynamics carried out a private placement of shares with a view to listing on the AeRO-SMT market of the Bucharest Stock Exchange which was closed early. A number of 111,929 CHRD shares were issued in the offer, amounting to a total of RON 3,357,870, at a price of RON 30. The offer reached the threshold of success, being supplemented by another RON 882,870. The transaction date was 04.10.2021, with the settlement taking place on 06.10.2021 through the Central Depository system. Following the private placement, Bittnet Systems holds 1.22% of CHRD shares and voting rights.

Chromosome Dynamics achieved a turnover of almost RON 1 million in 2020 and of RON 2.5 million on June 30, 2021; the company develops solutions oriented to the needs of farmers for the engineering of processes. CHRD is the developer of AGROBAZAR APP, which models the consulting-selling-purchasing process in agribusiness, representing a one stop shop for farmers in Romania. The app provides farmers with agribusiness consulting, agricultural machinery and inputs – seeds, pesticides, fertilizers – having so far more than 10.000 active users. Under the investment agreement, Bittnet Group will have the first option to deliver technology projects alongside CHRD.

After the listing of the shares on the AeRO-SMT market, the investment in CHRD will be reassessed quarterly as a mark-to-market ("held for sale") investment from an IAS28 perspective, similar to the investments in Arctic Stream and Safetech Innovations shares.

The investment in CHRD shares has not been revalued as at 30.09.2021.

#### **II. Registration of capital increase operations from August 2020 and December 2020**

On 14.10.2021, the Issuer informed the Market that it was issued by ASF the registration certificate 4149-17 for the number of shares related to the share capital increase operations started in August 2020 (for the implementation of the incentive program for key persons - SOP2018 ) and December 2020 (part of the M&A transactions with the founding shareholders of Softbinator Technologies SA and Equatorial Gaming SA, transactions approved by EGMS Bittnet in November 2020); The increase operations have been processed by the Trade Register since the end of 2020.

In this regard, in October 2021, a number of 24,697,223 shares were issued and allocated to the key persons part of SOP2018, and to the founders of Softbinator and Equatorial - 10,684,445 BNET shares. The total number of shares of Bittnet Systems, registered with ASF, amounting to 455,669,736 following these registrations.

Following the processing of these operations, the Issuer returned with a new request to ASF for the registration of the difference of shares – according to the Board of Directors' Decision of 06.07.2021 and the ratification of the EGMS by Resolution no. 17 of 07.09.2021 – the difference resulting from the application of the increase ratio of 6:10 and 1:10 according to the EGMS Resolutions no. 2 and no. 3 of 27 April 2021, on the entire share capital registered at the time of the EGMS convening in the Commercial Register.

### **III. Noncash ceiling extension: Dendrio Solutions – Banca Transilvania**

The company informed the investors, on 10.11.2021, about the extension of the credit agreement between Dendrio Solutions and Banca Transilvania, (contracted in December 2018) for the ceiling for issuing bank guarantee letters for the maximum limit up to RON 2,300,000, in the following conditions:

The product will have a validity of 24 months with the possibility of extension. The destination of the ceiling is for the issuance of all types of bank guarantees in the national currency (letters of bank guarantee for good execution of contracts, for participation in bidding procedures, etc.) and the interest is ROBOR6M+5.6% per year applied to the balance used.

Guarantees for this credit is mortgage on Dendrio Solutions accounts opened at Banca Transilvania and sole shareholder Bittnet Systems SA. Dendrio Solutions will use this banking product in order not to immobilize its own cash in order to issue letters of guarantee and, where appropriate, to unlock the cash from the guarantee instruments that required, in the past, the blocking of its own cash.