

**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

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CFO

**TABLE OF CONTENTS**

<b>TABLE OF CONTENTS</b> .....	2
<b>CONSOLIDATED SITUATION OF COMPREHENSIVE INCOME</b> .....	3
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b> .....	4
<b>CONSOLIDATED SITUATION OF CASH FLOW</b> .....	5
<b>CONSOLIDATED SITUATION OF CHANGES IN EQUITY</b> .....	6
<b>NOTA 1. GENERAL INFORMATION</b> .....	7
<b>NOTA 2. BASIS OF THE INTERIM REPORT</b> .....	12
<b>NOTA 3. SIGNIFICANT EVENTS AND TRANSACTIONS</b> .....	13
<b>NOTA 4. INFORMATION BY ACTIVITY SEGMENTS</b> .....	14
<b>NOTA 5. OTHER INCOMES</b> .....	15
<b>NOTA 6. CLASSIFICATION OF EXPENSES BY THEIR NATURE</b> .....	16
<b>NOTA 7. EQUIVALENT SECURITIES</b> .....	17
<b>NOTA 8. CAPITAL AND RESERVES</b> .....	21
<b>NOTA 9. BONDS</b> .....	27
<b>NOTA 10. BANK LOANS</b> .....	28
<b>NOTA 11. INFORMATION REGARDING THE RELATION WITH RELATED PARTIES</b> .....	28
<b>NOTA 12. COMMITMENTS</b> .....	29
<b>NOTA 13. EVENTS AFTER THE BALANCE SHEET DATE</b> .....	30

**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
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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**

	for 9 months period	
	30/09/2021	30/09/2020
<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>4,536,809</b>	<b>48,651,996</b>	<b>419,008</b>	<b>49,071,003</b>
	<b>Share capital</b>	<b>Issue premiums</b>	<b>Other equity items</b>	<b>Legal reserves</b>	<b>Reported result</b>	<b>Total capital</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
<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.

**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.

**Cyclicality/seasonality of income**

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

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

**Main Market – Bucharest Stock Exchange transfer**

On June 3rd, 2020, Bittnet (BNET) shares started trading on 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 **Elian**, 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:

	<b>9 months ending on:</b>	
	<b>30/09/2021</b>	<b>30/09/2020</b>
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 Ivylon 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:

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

<b>Shareholders and % held</b>	<u>30/09/2021</u>	<u>31 Dec 2020</u>
Mihai Logofatu	11,64%	13.35%
Cristian Logofatu	10,59%	12,15%
Others	77,77%	74,50%
<b>Total</b>	<b><u>100%</u></b>	<b><u>100%</u></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 Berceanu – co-founder of Equatorial Gaming – 2,717,647 BNET shares
- Diana Rosetka – co-founder of Equatorial Gaming – 736,722 BNET shares
- Daniel Ilinca - founder 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:

	<u>30/09/2021</u>	<u>31 Dec 2020</u>
BNET22	-	4,451,616
BNET23	4,661,869	4,647,795
BNET23A	9,540,798	9,491,246
BNET23C	9,841,667	9,766,667
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><u>10,759,545</u></b>	<b><u>12,154,447</u></b>
Long-term share	7,500,616	4,570,517
Short-term share	<u>3,258,928</u>	<u>7,583,930</u>

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><u>926,282</u></b>	<b><u>964,182</u></b>
<b>Debts</b>	<b><u>30 June 2021</u></b>	<b><u>31 Dec 2020</u></b>
Key employees	62,093	57,093
<b>Total</b>	<b><u>62,093</u></b>	<b><u>57,093</u></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 market-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.

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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.