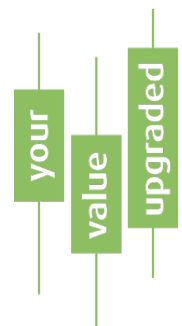


# (Preliminary) ANNUAL REPORT for 2021

For the financial year	01.01.2021 - 31.12.2021
Report date	25 February 2022
Company name	BITTNET SYSTEMS S.A.
Registered office	23 Șoimuș Str., b, 2, ap. 24, 4th district, Bucharest
Mail address/operating premises	8-10 Tudor Arghezi Str., Clădirea Unimed, 1 <sup>st</sup> Floor, TOF112 Space, 2nd district
Telephone/fax	021.527.16.00 / 021.527.16.98
Unique registration code at the Trade Register Office	21181848
Trade Register registration number	J40/3752/2007
The regulated market on which the issued securities are traded	Bucharest Stock Exchange, Standard Segment
Paid-in and subscribed share capital	RON 48,043,690.40
The main characteristics of securities issued by the company	480.436.904 shares at the nominal price of 0.10 RON per share
Trading Symbol	BNET – shares BNET23, BNET23A, BNET23C – bonds
ISIN code	ROBNETACNOR1
Contact	<a href="mailto:investors@bittnet.ro">investors@bittnet.ro</a>



## Key information

Key results, history, thousand RON:

	Turno- ver	Profit Opera- tional <sup>1</sup>	Profit Net	Cashflow Opera- tions	Assets	Cash	Equity Capital	Mkt. Cap.	ROE
2014	8.180	582	115	394	5.428	813	865	7.896	
2015	9.993	1.608	889	471	8.253	3.008	1.920	8.108	103%
2016	13.667	1.929	870	-1.768	10.446	2.355	3.100	21.418	45%
2017	27.682	2.743	1.206	373	30.898	11.060	5.961	31.941	39%
2018	47.891	1.319	4.408	3.397	59.069	13.048	14.001	55.530	74%
2019	99.750	838	-2.631	8.502	88.462	20.824	12.372	112.717	-32%
2020	108.617	4.313	1.050	8.099	99.915	24.861	27.575	157.586	8%
<b>2021</b>	<b>112.591</b>	<b>7.345</b>	<b>14.424</b>	<b>4.242</b>	<b>133.961</b>	<b>23.405</b>	<b>52.249</b>	<b>161.907</b>	<b>53%</b>
<b>CAGR</b>	<b>45%</b>	<b>41%</b>	<b>100%</b>	<b>63%</b>	<b>57%</b>	<b>61%</b>	<b>80%</b>	<b>54%</b>	<b>Average</b>
<b>YoY</b>	<b>3%</b>	<b>24%</b>	<b>1307%</b>	<b>-48%</b>	<b>31%</b>	<b>-6%</b>	<b>99%</b>	<b>3%</b>	<b>42%</b>

Historical growth rates, comparison with the market index, and the return on investment for the shareholders who contributed to the company's growth.

Year %Growth	/ Reve- nues	Assets	Equity	Mkt. Cap.	BET-XT	Operation	Amount
2015	22%	52%	122%	3%	-4%	Equity as of 15 Apr 2015	-864.743
2016	37%	27%	61%	164%	3%	MCS05-Dec-17	-807.127
2017	103%	196%	92%	49%	15%	MCS14-Dec-18	-2,892,205
2018	73%	91%	135%	61%	-8%	MCS10-Apr-20	-9,168,712
2019	108%	50%	-12%	94%	32%	MCS02-Mar-21	-
2020	9%	13%	123%	21%	-4%	Equity as of 30-Sep-21	10,725,345
2021	4%	31%	92%	2.74%	31%	Out of which, attracted amounts	52,999,851
Average	51%	66%	88%	65%	9%	IRR	-
							23,593,389
							42.9%

<sup>1</sup> See Annex 1 for the definition, computation method and relevance of the alternative performance indicators used in the report

<b>Key information .....</b>	<b>2</b>
<b>Letter from the CEO .....</b>	<b>4</b>
The operational business in 2021 .....	5
The investment business .....	7
Future perspectives .....	8
<b>The current structure of the Group.....</b>	<b>10</b>
The EDUCATION Division .....	10
The Technology Division .....	11
Investments in listed companies.....	11
<b>Review of the financial statements .....</b>	<b>12</b>
Revenues, Expenses, Operational Profit, Gross and Net.....	12
Consolidated financial statements .....	14
Consolidated Cash Flow .....	16
<b>BNET investment thesis.....</b>	<b>17</b>
<b>Events in the Technology Division in 2021.....</b>	<b>19</b>
<b>Events in the Education Division in 2021.....</b>	<b>24</b>
<b>2022 Budget for reference only .....</b>	<b>26</b>
<b>Annex 1 – ‘Alternative Performance Measurements’ on alternative key performance indicators .....</b>	<b>27</b>
<b>Unaudited financial statements.....</b>	<b>28</b>
Unaudited financial statements .....	28
THE CONSOLIDATED STATEMENT OF THE GLOBAL RESULT .....	29
THE CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION .....	30
THE CONSOLIDATED STATEMENT OF THE CASH FLOW .....	31

## Letter from the CEO

In 2021 we ended our 15th year of activity and we continued the tradition of surpassing our previous results every single year. From a financial point of view, 2021 is the best year in history: consolidated revenues amounted to RON 112,6 million, i.e. a 3% increase compared to the previous year, the gross margin increased by 14% to RON 24,5 million, the operating profit was worth RON 7.3 million, 24% higher than the previous year, while **the gross profit reaches RON 16,2 million, 11 times higher than in 2020**. These figures continue the positive evolution of 2020, when the operating profit had increased 5 times compared to 2019, and the net profit had increased by RON 5.5 million, thus confirming the continuous growth strategy that we have proposed since the listing: profit for the year 2021 is higher than *the entire annual turnover of any of the first 10 years of Bittnet's existence*. It goes without saying that we could not have extracted RON 15 million profit even from a company with a business amounting to RON 21 million (as of 2017). Bill Gates' famous quote that people underestimate what can be done in 10 years is more valid than ever.

The debate on financial results is not complete without addressing two additional points. The first aspect is the operational cash flow: this is the 5th consecutive year during which a positive CF, with a significant value - RON 4.25 million. It completes the image shown by the solid financial position, with RON 23,4 million in cash reserves, equity exceeding for the first time the amount of RON 55 million, and debts to suppliers covered 1: 1 by receivables from customers. (RON 28 million receivables versus RON 24 million debt).

The second matter is the significant difference in the contribution of financial profit to gross profit: if in previous years financial activity generated costs, which were deducted from operating income, generating a lower gross profit than the operating profit, as the investments made in the previous years paid off in 2021 - generating financial profits that increased the profit from current activity: RON 9.1 million as a financial profit, and a RON 7.3 million-worth operational profit.

We believe that a successful investment activity can significantly enhance both the group's growth plan and, above all, generate a state of anti-fragility. The accounting regulations strictly stipulate how the investment results are accounted for, having the potential to sometimes generate significant fluctuations of these values "on paper", in a very different way from how investors naturally expect this activity to be accounted for. We kindly invite you to read more in the chapter "Presentation of the Profit Account".

We will continue to invest heavily in other companies, according to the M&A programmatic strategy, which will generate various fluctuations in financial profits in the future. Such outcomes never result from a linear process, and they are not meant to replace operational activity - **as we are not an investment fund**. It is instead the result of how we build every partnership, every investment, and how we position ourselves - small downside, infinite upside. We suggest to the shareholders to analyse both the operational activity and the benefits of the investment activity (or "capital allocation") - **over the 7 years since our company has been listed on the Bucharest Stock Exchange (BVB), we have generated for investors an annualized return of over 40% of the invested amounts. There are premises for this positive track record to continue in the future, without making any estimate or promise on the actual value of the yields.**

## The operational business in 2021

### The Education Division

As the number of companies and products increased in the portfolio of the Education division, it currently relies on two essential pillars: **Technical Skills** (which includes the activities of Bittnet Training and Computer Learning Center) and **Human Skills** (which includes the activities of Equatorial and The e-Learning Company).

In both cases, 2021 was characterized by the continuation of the transformational processes started in 2020 as a result of the new reality - "low touch economy", which produced significant results starting with 2021. As a proof, last year we generated 50% more customers than in 2020, customers who we expect to keep buying in the coming years, implicitly with subsequent higher annual revenues. The process of attracting new customers begins with offering content by means of marketing campaigns. In 2021, our websites [www.bittnet.ro](http://www.bittnet.ro), [www.ctrln.ro](http://www.ctrln.ro) and [www.devopsartisan.com](http://www.devopsartisan.com) were accessed by over 180,000 visitors, while our digital campaigns were viewed by nearly 5 million users. These generated over 4,000 downloads and over 500 MQL (Marketing Qualified Leads).

In the field of continuous development of strategic partnerships, we mention that since August we have become the strategic education partner of ANIS (Employers' Association of the Software Industry) and we have already delivered a first webinar for L&D specialists of ANIS member companies. Moreover, we have introduced new courses in the IT Service Management area from the Peoplecert vendor and developed with our instructors trainings adapted to market requirements and customer needs in the security area, which matches the "glove" with the purchase in Computer Learning Centre.

**The total number of students trained in 2021 was 4,221, 3% higher than in 2020**, but the mix was slightly different, the total number of students trained in Human Skills evolving positively from 640 to over 1,000, while the number of students Tech Skills courses dropped from 3,450 to 3,200, due to a focus on Microsoft and DevOps Artisan products (products whose number of students in the classroom is naturally lower) led to a decrease in the average number of students per class to 9.8 in 2021 versus 10.5 in 2020, given that the number of classes is similar (326 in 2021 versus 321 in 2020). On average this means over 6 courses/week, simultaneously.

**From a financial point of view, in Q4 we recovered the gaps we had during the previous quarters, the revenues of the education division exceeding the previous year by more than 10%.** The accelerated increase in the cost of human resources generated a 7% decrease in the gross margin, but also in fixed costs, along with the increase in investment in marketing, so that the annual operating result of the division is a loss of 300 thousand RON - it is the first (and, we believe, the last) time in the company's history when we experience such a situation.

### The Technology Division

If we were to describe 2021 in one sentence, we can certainly say that this year was a year of **contrasts**. On the one hand, for the entire (local but also global) business environment, 2021 was a year of hope - to overcome the health crisis, to stop / overcome its effects and, why not, to start a new normality - respectively increasing the stability and business predictability. On the other hand, this hope was doubled by a much more "indecisive", more unpredictable reality, in which successive pandemic waves, local political instability but also much deeper effects of the global crisis continued to show their presence. In this context of low predictability, the technology division of the Bittnet group managed to capitalize on certain trends in order to obtain both a significant increase in the gross margin generated, from RON 13.7 to 17.3 million, thus attracting a significant increase in the operating profits, RON 7.7 million - 167% more than in 2020, given a marginal increase in turnover. It is worth mentioning the following operational elements:

- **Significant increase in projects generated in 2021 with delayed delivery for 2022, generated by the long delivery times of hardware equipment - the so-called "backlog".** If at the end of 2020 we were talking about a volume of RON 5 million in this situation, at the end of 2021 we have a volume of over RON 40 million in this category.
- **Increasing the service volume.** To offset the impact of the delay in equipment delivery, we focused on projects with a significant service component - an increase of over 45% compared to 2020.
- The disappearance of a clear seasonality - the extension of projects to 2022 allows us to enter the new financial year with a consistent volume of projects awarded ("pipeline") which will be distributed (depending on equipment deliveries) throughout the year.

- **Extension of existing contracts**, including at **regional level** - a new company in its large customer portfolio has decided to benefit from the expertise of Dendrio and the companies in Bittnet's technology division for regional expansion. The project is all the more important as a transition has been made to cloud technology and managed services - IT Prepared (a new company in the Bittnet group) taking over the administration and optimization of IT processes. We are confident to meet more and more companies located in Eastern Europe in the future that will follow a similar expansion model.
- **Implementation of a sales process based on "Buyer Journey"** following the model initiated by the education division. More than 600 companies were contacted merely during Q4, with a 11% (outbound), and 19% (inbound) conversion rate.
- **The Customer Success team**, launched at the end of 2020 - became operational in 2021, then completed by the **Project Management Office** - at the level of the entire Bittnet group but with a significant impact on Dendrio's delivery processes. There are 5 employees currently working in this department.
- Last but not least, it is important to mention the **increase in the number of projects delivered**. In 2021 the number of delivered projects increased by over 11% compared to 2020, confirming that the operational platform but also the delivery processes of Dendrio are scalable.

## The investment activity

As in the previous years, we carried out a capital increase operation with new cash contributions and a discount for investors in 2021, which scored, once more, a 100% success rate. Thus, we attracted a total financing of RON 10.4 million through capital market mechanisms, which we used in two directions: to reduce the indebtedness rate (by the early repayment of the BNET22 bond issue) and to fund some M&A projects.

Throughout the journey towards the goal of 2024: business of RON 500 million, we rely on operational transformation (in the sense of aligning internal processes to the journey of buying our customers in the new market reality - "low-touch economy"), but also on an extensive M&A investment program aimed at consolidating the current portfolio but also expanding to the CEE market and to strategic areas, software, cybersecurity and managed services. 2021 was also the most active year in terms of M&A projects. We completed 5 investments:

- IT Prepared completed in Q3, which is the first investment in the field of managed infrastructure services.
- Nenos&Nonlinear, completed during Q3, which strengthens the company's position in the software development division, while also tackling the artificial intelligence sector.
- CLC – consolidating the Education division and expanding the certification portfolio, especially in the cyber security sector.
- ISEC and GRX these are two transactions that mark a new major stage in the development of our group, as with them a new division is established within the Bittnet Group, that of cybersecurity.

At the publication of this report we are in advanced stages of negotiation with 3 more projects communicated and approved by shareholders - Servodata, Datascript and TopTech. These projects continue the investments made in 2020 in Equatorial, Softbinator and The eLearningCompany. In addition to the Group Structure chapter of this report, I suggest that you frequently visit the "Group Structure" section on our investor relations website, as this structure is constantly evolving.

We shall conclude the discussion about the M&A activity already carried out in 2021 by mentioning the first exit by selling the Audodesk software division, which is a part of the Dendrio company, to the Graphein company, for the amount of RON 2.2 million, an amount equal to the one paid in 2017 for the whole company Gecad Net (currently Dendrio). In the same sense, in the last days of the year, we attracted to us a number of investors within the GRX company by selling a 14% stake, for RON 3.47 million.

In relation to the capital market authorities we have registered a premiere - the second visa received successively on a Universal Registration Document gives us the status of "Frequent Issuer", which should facilitate the development of any type of offer in the future..

The liquidity of the shares remained at a high level - with an average amount of RON 5-6 million per month. By the end of the year, the number of shareholders increased by more than 4,100 individuals and legal entities, of which 12 were investment funds, along with 60 legal entity investors.

## Future perspectives

3 days ago - on February 22, 2022 - Bittnet celebrated 15 years since its establishment, and during this period we went through 3 development cycles and went through two periods of crisis, the one from 2008-2010 and the current Covid crisis. We completed the first growth cycle in 2011 with the investment of Razvan Capatina. The second growth cycle (2012-2014) ended with the listing on the AeRO market, at which point we became the first public IT company in RO. In this cycle, between 2015 and 2020 we attracted over EUR 10 million as equity as well as loans, with the help of which we financed the accelerated development, including the first M&A type transactions. In 2020, with the transition to the Main Market, the third cycle ended, at which point we undertook the goal of becoming a regional group of technology services with total business of over RON 500 million by the end of 2024.

We consider that from the position of a company with a business worth RON 500 million, it is much easier to generate higher profitability in nominal terms than it is in the case of a company of RON 100 million. At the same time, reaching the business target of RON 500 million in 2024, along with an average 15% profitability for the industry would generate a net profit impossible to get from the current turnover, with any attention to costs, ingenuity and operational mastery. On the other hand, such a company, valued even at only 10x profit, or only 1x revenue, would still be worth 3-5 times more than at present. We take this opportunity to remind you of the [Shareholder's Textbook](#), in which we detail both the growth vision and the way we lead the company's activity, towards the goal of RON 500 million turnover.

During all these years, the importance of the IT industry has increased in all directions and its contribution to the formation of GDP has exceeded the threshold of 7% and will reach a 10% threshold by the end of 2025. The phenomenon has accelerated in recent months when the pandemic highlighted the need for public and private organizations to reinvent themselves through technology and implicitly the need to train digital skills among employees. According to the DESI index, which measures the degree of digitalization at the level of EU countries, Romania ranks last in both the chapter that measures the level of digital maturity among private and public companies and the pillar that measures the level of basic and advanced digital skills among company employees.

The ITsti market has officially exceeded the 200,000 threshold, according to a recent study published by ZF, a double level compared to 10 years ago; the perspective of the industry is that the need for experts has the number of specialists double over the next 10 years.

Both areas detailed above give us the confidence that we are "operating in the right industry", and indicate the market potential for the two divisions of the Bittnet group for the period 2022 - 2024:

- **for the Education Division**, as employees undergo a continuous reskilling process, in order to better meet the needs on the market. In this respect, the programs and initiatives on our agenda such as the CTRL+N national reskilling project or the DevOps Artisan international platform were launched in advance and today, we are better positioned to meet the needs in the area of digital skills development.
- **for the Technology Division**, as organisations continue on their path to digitisation, forced to adapt to the new context with funding either from their own resources or from accessing government programs backed by EU funding.

The in-house climate, which in itself is a motivating factor for the performance of our projects, will improve this year, in March we will move to a new headquarters - One Cotroceni - designed according to current standards. The team will continue to grow in 2022, after 60 new people joined us in 2021. With the new headquarters, we will all be able to be under the same roof, increasing the chances of integrating the current M&A and finding potential synergies among the companies in the group.

As regards the activity proposed for 2022 on the capital market, as a result of the shareholders' suggestion, we intend that in the April GMS we propose to carry out a share repurchase program, together with a capital increase operation with receivables and cash contributions, in order to fulfil the payment obligations to creditors in the M&A transactions concluded.

In addition, we will reassess the appropriateness of issuing an offer of preferred shares to raise capital within the Bittnet group, without generating the dilution of voting rights, and the separate listing of one or two of the entities in the group. We hereby mean the entities in the **CyberSecurity** and **Cloud&Infrastructure** group.

Most likely, taking into account the current share price and the existing liquidity, we will not propose a new distribution of free shares, but only the already 'patented' operation of distributing a free share, which the shareholders can choose to leave at the disposal of the company in order to implement the plans of the future obligations. Those shareholders who chose so will be rewarded with a cash distribution. This year we will propose a cash distribution per share higher than before, of approximately RON 0.2.





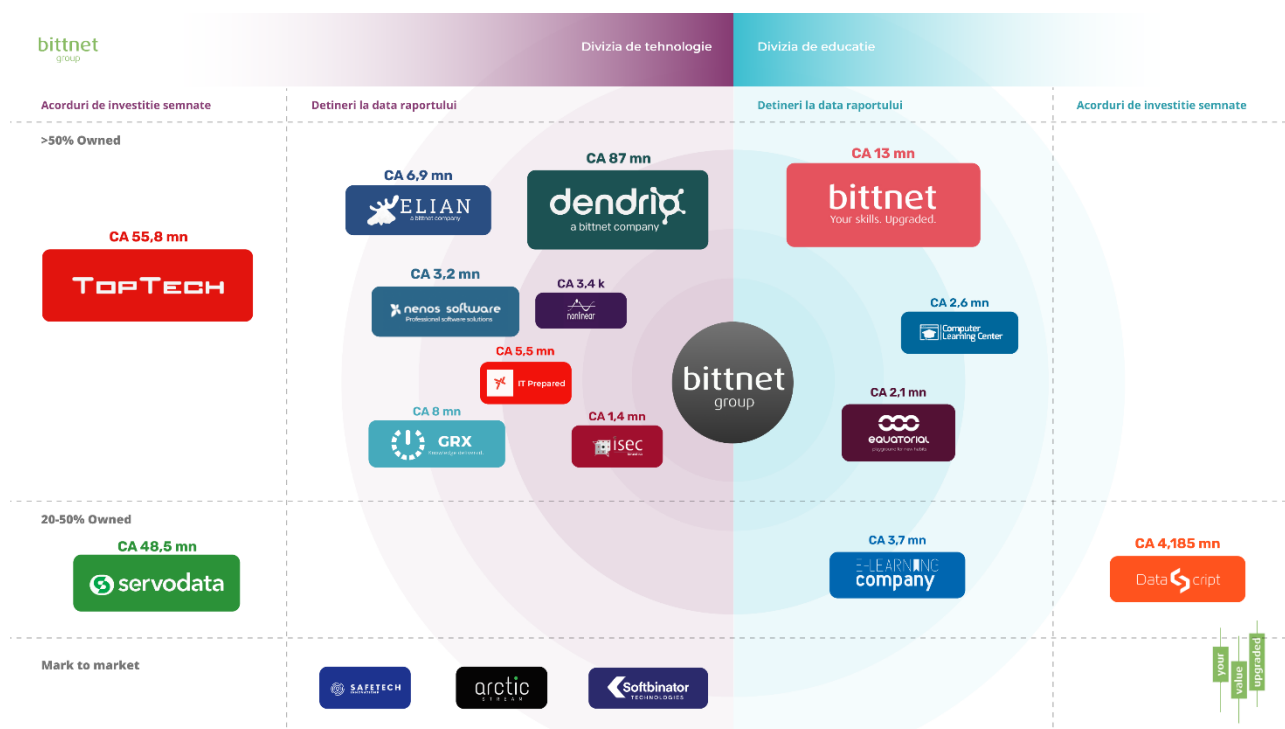
In conclusion, I invite you to read in detail about the results of our Group in the following pages or sections, if you go through a digital version of our financial report. As always, we remain open to receiving your feedback or answering any questions on the following email address: [investors@bittnet.ro](mailto:investors@bittnet.ro).

Mihai Logofatu,

Cofounder and CEO of Bittnet Group

## The current structure of the Group

The continuous evolution process of the group, both through the launch of new products and services and through continuous acquisitions has led to the current situation in which the activity is organized in centres ("cells") as independent as possible, in interest areas ("development pillars") or ("business groups"), which represent sub-domains of activity in the field of IT&C Services. Bittnet is currently a conglomerate company providing exposure to investors towards the entire IT&C industry in Romania. Each pillar (Business Groups) will be able to have direct and independent funding from the capital market, cooperating with the other companies in the group in order to offer a higher added value to both our clients and our employees / partners.



## The EDUCATION Division

- Technical Skills**
  - Bittnet Systems SA** (CUI 21181848): the parent company of the group, listed on BVB. It carries out the holding activity plus the IT Training activity, being the undoubted leader on this market in Romania. Revenues in 2021: RON 13 million, RON 940 thousand operational loss.
  - Computer Learning Center SRL** (tax identification number 26065887), entirely owned by Bittnet, is a cybersecurity-focused IT training company founded in 2009 with a long history of serving corporate clients. In 2021, the revenues amounted to RON 2.1 million, while the operational profit was RON 98 thousand.
- Human Skills**
  - Equatorial Gaming SA** (tax identification number 30582237) currently owned to a 99% extent by Bittnet Systems SA, is a game-based learning company that provides soft skills training for the IT industry, both in classic and in the gamified form. Revenues in 2021 – RON 2.3 million, EBITDA of RON 641 thousand, amortisation of RON 664 thousand and an operational loss RON 23 thousand.
  - The eLearning company SA** (tax identification number 30760571): 23% owned by Bittnet Systems SA, is an entrepreneurial company that offers eLearning courses for companies. Established in 2012, it registered in 2021 a significant increase in revenues after joining the group, up to RON 3.7 million and a RON 1 million operating profit.

## The Technology Division

- **Infrastructure and cloud**
  - **Dendrio Solutions SRL** (tax identification number 11973883): the only multi-cloud integrator in Romania, a certified partner at the highest standards by Cisco, Microsoft, Google, Amazon Web Services, but also many other vendors, is the company that brings together IT&C integration activities, provided by Bittnet, Gecad Net and Crescendo. Revenues in 2021 – RON 87 million, operational profit - RON 5.45 million
  - **IT Prepared SRL** (tax identification number 35456175), held by Bittnet as to 50.2%, is an entrepreneurial managed service company established in 2016, providing IT support services on the US market mainly. ITPrepared customer portfolio is primarily based on US companies, but also some local customers. Managed services is the outsourcing of responsibility for maintaining and anticipating the need for a range of processes and functions that aim to improve operations and reduce costs within a company. The 2021 revenues increased to RON 5.5 million and the operating profit to RON 1.5 million.
- **(ERP) business solutions**
  - **Eliau Solutions SRL** (tax identification number: 23037351), a company incorporated in 2008, owned by Bittnet Systems SA to a 51% extent, it is a Gold-certified partner by Microsoft for ERP type of solutions. Revenues in significant growth in 2021, amounting to RON 6.9 million, with an operational profit amounting to RON **158 thousands**.
- **Software development**
  - **Nenos Software SRL** (tax identification number 29612482), 61% owned by Bittnet, is a custom software development company with a focus on Artificial Intelligence and Machine Learning (AI / ML). The 2021 revenues amounted to RON 2.5 million, with a RON 0.8 million profit.
  - **Nonlinear SRL** (tax identification number 37758005) is a SPV set up to access European funding, 60% owned by Bittnet. The business activity is product-based software development focused on developing a digitization and process automation platform within small and medium companies using low code / no code and machine learning technologies. The 2021 revenues amounted to RON 900,000, whereas the operational profit was RON 350,000.
- **CyberSecurity**
  - **ISEC Associates SRL** (tax identification number: 23037351), 70% owned by Bittnet, is a company that offers professional services in the area of cybersecurity, which provides audit services, consulting and testing (penetration testing) in the classic regime and “managed services”. The company holds many certifications (ASF, BNR, CISA, CISM, CEH, CISSP, OSCP, CDPSE, ISO 27701, etc). Revenues in 2021 – RON 1.4 million, operational profit – RON 380 thousands
  - **Global Resolution Experts S.A. (GRX)**(tax identification number 34836770), 60% owned by Bittnet, is a professional services company in the area of cybersecurity, which offers penetration tests, but also the design, implementation and maintenance of cybersecurity solutions. Owns GRX Advisory SRL (tax identification number 43813325) entirely, providing similar services. The consolidated revenues of GRX / A are worth RON 8 million and the operating profit - RON 4 million. As the company was acquired in December 2021, these figures are not included in any way in the consolidated results of the group.

## Investments in listed companies

In addition to the previously listed companies, in which we have significant positions, which are accounted for by the IFRS consolidation rules, our group also has some investments in listed companies, starting from the philosophy “buy stock in businesses that you would like to own yourself”. We think it is more useful to own a smaller part of a company we like than to own nothing.

The IFRS consolidation standards require nevertheless that these holdings be accounted for in the income statement, as if we were actually buying the shares at the beginning of each quarter and selling them on the last day of the quarter, repeatedly, on a quarterly basis. In other words, these fluctuations are recorded in our accounting “benefiting” from capital market-specific multipliers. Such fluctuations will sometimes increase the gross result and sometimes decrease it. What is important to bear in mind is that our ability to stay close to the companies we have invested in in the long run will give us more opportunities in the long run to make an effective profit from these investments than losses. An appropriate example is our investment in Safetech in October 2020. SAFE shares

have increased 15 times between the time of our investment and the current time. From the point of view of cash, we invested RON 290,000 at the time of the private equity and we have received RON 2,500,000 in cash so far, and our current holdings in SAFE shares are still valued at over RON 600,000. In other words, although IFRS accounting shows different values at different times, this investment is already one that has brought a 760% “marked” profit, which can only increase. The investment in CODE shares is in a very similar situation, in Q3 2021, our group recovering cash over two thirds of the amount of cash actually invested, while the current holding is worth over RON 15 million.

## Review of the financial statements

### Revenues, Expenses, Operational Profit, Gross and Net

The element that distinguishes the results of 2021 from the previous ones is the contribution of the financial profit to the gross profit: if previous years the financial activity generates costs, which were deducted from the operating result, (generating a lower gross profit than the operational one) in 2021 the investments made previous years generating financial profits that have increased the profit from the current activity: RON 9.1 million as a financial profit, and a RON 7.3 million-worth operational profit.

	2021	2020
Operational	7.345	5.930
Minority sharehold- ing	775	-171
Financial	9.115	- 2.700
SOP adjustment	- 1.067	- 1.574
<b>Gross profit</b>	<b>16.169</b>	<b>1.485</b>

We believe that a successful investment activity can significantly enhance both the group’s growth plan and, above all, generate a state of anti-fragility. The accounting regulations strictly stipulate how the investment results are accounted for, having the potential to sometimes generate significant fluctuations of these values “on paper”, in a very different way from how investors naturally expect this activity to be accounted for by Profit.”

Here are some examples: the investment made by the Group in Gecad Net in 2017 cost RON 2.2 million, which we recovered from the sale of the Autodesk division to Graphein in 2021. We thus have recovered our investment and we still have a company that brings in revenues of RON 90 million and an operating profit of 5 million. From the point of view of the capital we have ‘at risk’ we could consider it an infinite return! A similar situation is encountered in case of the investment in the Elian Solutions company, where the dividends received so far exceeded the value of the amount initially paid, but we continue to have a functional and profitable company.

In the case of Softbinator, we recovered in 9 months two thirds of the amount paid in cash, and we continue to own 19% of a listed company, valued at RON 80 million. If the market value of CODE shares decreases over a certain quarter, it will be accounted for as a financial loss in that quarter, even if we do not sell any shares. On the other hand, if we analyse the situation as any investor - we paid approximately RON 1.35 million for our holding of CODE shares, so in fact any sale would be profitable.

In the case of GRX, we paid a first tranche of 5 million RON to the founders, and we recovered from other investors almost RON 3.5 million, keeping another 60% of a company with RON 8 million consolidated income and RON 4 million profit. Our investment position is very solid, with very little downside and very much upside.

One of the ideas encountered in the public space is that the results of 2021 are positively influenced by unique elements - one-off type. In the above we have shown that although any sale of assets is unrepeatable in itself, the fact that we have a continuous investment activity continuously generates opportunities, and strengthens and enhances the financial results. Within our group the activity of capital allocation has always been a strong differentiator, and we consider it to continue to be an important element in the future, even if not one with linear results.

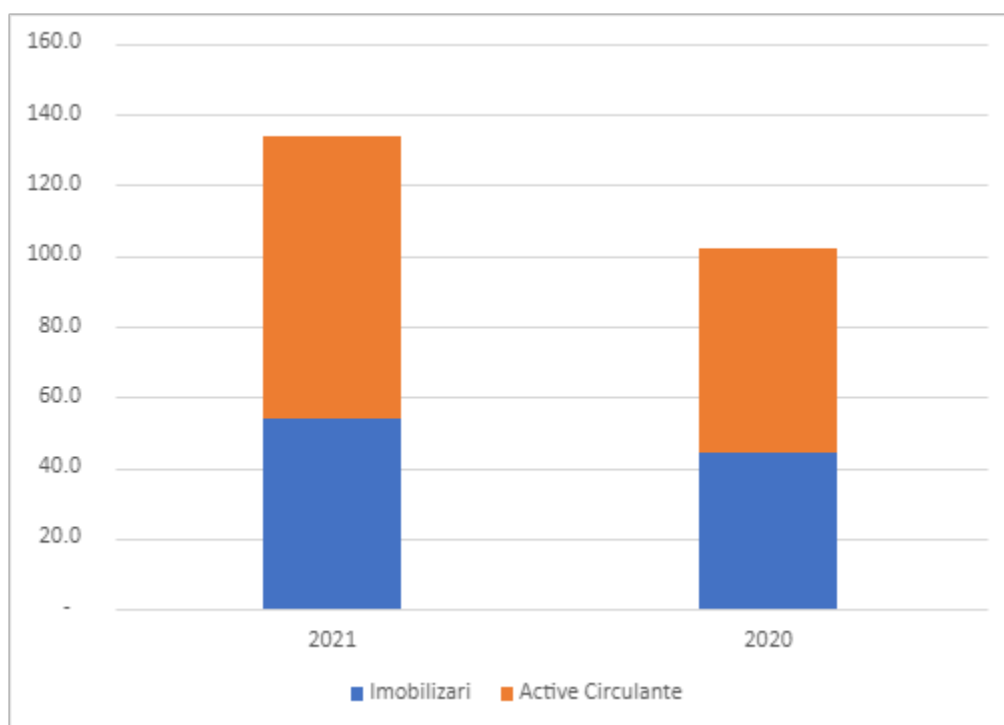
The following is worth mentioning with respect to the operational results:

	31.Dec.21	31.Dec.20	Evolution
<b>Revenues from contracts with clients</b>	112,590,990	109,191,760	3.1%
Revenues from the provision of services	38,634,040	32,064,815	20.5%
Sale of goods	73,956,950	77,126,944	-4.1%
<b>Cost of sales</b>	88,112,151	87,725,366	0.4%
Cost for selling goods/materials	63,928,560	69,182,472	-7.6%
Cloud services	5,491,123	5,178,219	6.0%
Staff expenditure	18,692,467	13,364,674	39.9%
<b>Gross margin</b>	24,478,839	21,466,394	14%
<b>Other revenues</b>	4,071,104	451,828	801%
<b>Sales/distribution expenses</b>	9,534,117	7,508,988	27%
Staff expenditure	7,728,820	6,369,092	21.3%
Advertisement	1,805,297	1,139,895	58.4%
<b>Administrative expenses</b> (out of which)	11,670,416	8,478,631	37.6%
Staff expenditure	4,910,400	4,572,116	7.4%
Amortization	2,388,267	1,993,939	19.8%
Other third party services	2,301,778	957,998	140.3%
<b>EBIT</b>	7,345,410	5,930,604	23.9%

- Revenues from customer increased by 3% to 112.6 million, and the focus on services generated a much faster increase in gross margin - by 14% - to RON 24.5 million. We have shown many times how this multiplier(leverage) effect works, so we will not explain it again, it is only worth mentioning for shareholders who notice the effect for the first time, as a reading suggestion - because it is one of the reasons why we are constantly looking to accelerated increase our business.
- Within direct expenditures, there is a significant increase in human resources costs ("resold hours/worker") - by 40% aggregate, which is composed of an increase of 63% in the education division, and 30% in within the technology division. For the Education Division, RON 2 million out of 2.6 million difference come from the fact that the expenses from Equatorial and CLC were not consolidated in previous fiscal years. In case of the Technology Division, the nominal increase of RON 2.7 million is mainly generated by the addition of RON 1.8 million costs from companies that previously did not enter into consolidation. And rest of the evolution is given by the increase by 12% of the hourly rates we pay.
- Sales costs increased by 27%, mainly influenced by the Education Division, where the increase is 64% in case of expenses related to sales team (from RON 1.7 to 2.8 million) the significant increase in the number of human resources involved (additional amount of RON 200.00), the inclusion of new companies in the consolidation perimeter (additional amount of RON 250,000 ) and the increase in hourly rates. Plus an increase of 85% in marketing expenses, up to RON 1.1 million.
- Within the indirect, administrative expenses, there are two elements with a significant positive evolution:
  - Increase in depreciation from 557 thousand to RON 1.3 million in case of the education division - with the inclusion in the consolidation perimeter of Equatorial Gaming, which records expenses with the amortization of various games
  - Increasing the position of "other services performed by third parties" - from RON 1 to 2.3 million, amid the costs of accounting and auditing from RON 300 thousand to RON 700 thousand , but also the costs related to the internal IT infrastructure from RON 260 thousand to RON 525 thousand.

As a result, the operating profit increased by 24%, to the value of RON 7.35 million - we consider that this evolution confirms the trend started after 2019 - when we "digested" the largest acquisition so far - Crescendo. **We mention that there is no year in which you have not registered an operating profit!**

## Consolidated financial statements

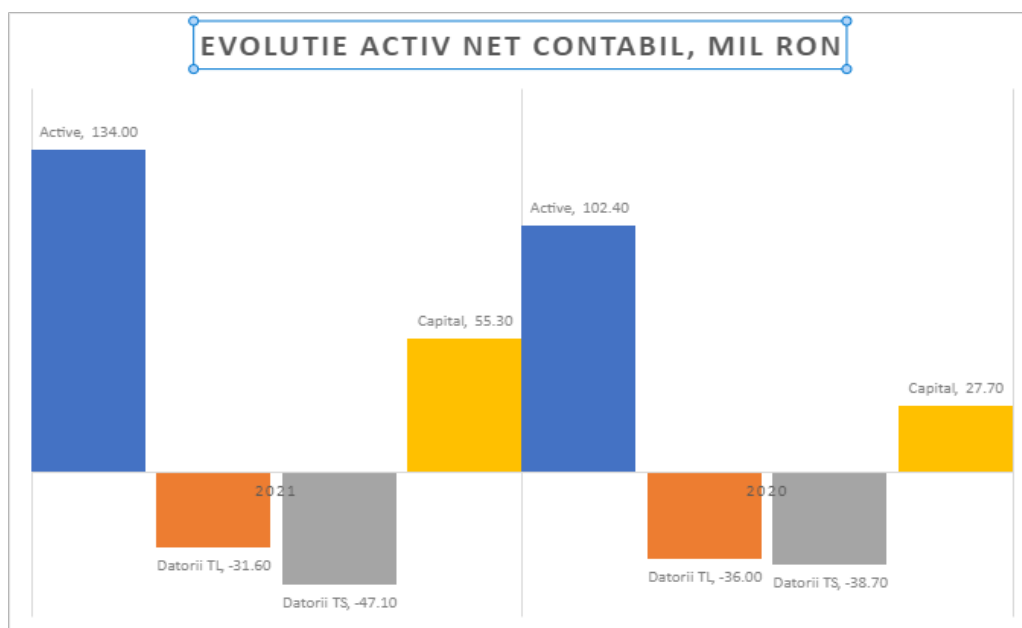


The increase in fixed assets is entirely due to the M&A and investment activity made, which amount to RON 18 million, combined with the decrease in the position of *securities in equivalence* with the reclassification of Softbinator's as "mark-to-market" holding. Also, with the cancellation of the renting contract for the Anchor Plaza offices, the tangible assets decreased in accordance with IFRS 16.

The increase in current assets is partly due to the increase in receivables from customers (a positive evolution of RON 2.3 million), and the reclassification of Softbinator's participation as a "mark to market" as a listed public company.

### The consolidated cash position reaches RON 23.4 million.

Long-term debts decreased by RON 5 million with the repayment of the BNET22 bond issue. The positive evolution of short-term debts (from RON 38.7 to 47.1 million) comes almost entirely from M&A operations - the part to be paid in shares or after confirmation of the results for 2021 of the companies in which we invested.



As a result, shareholder equity increased by RON 10.4 million, both due to the market capitalization operation in early 2021, and the annual net profit of RON 14.4 million.

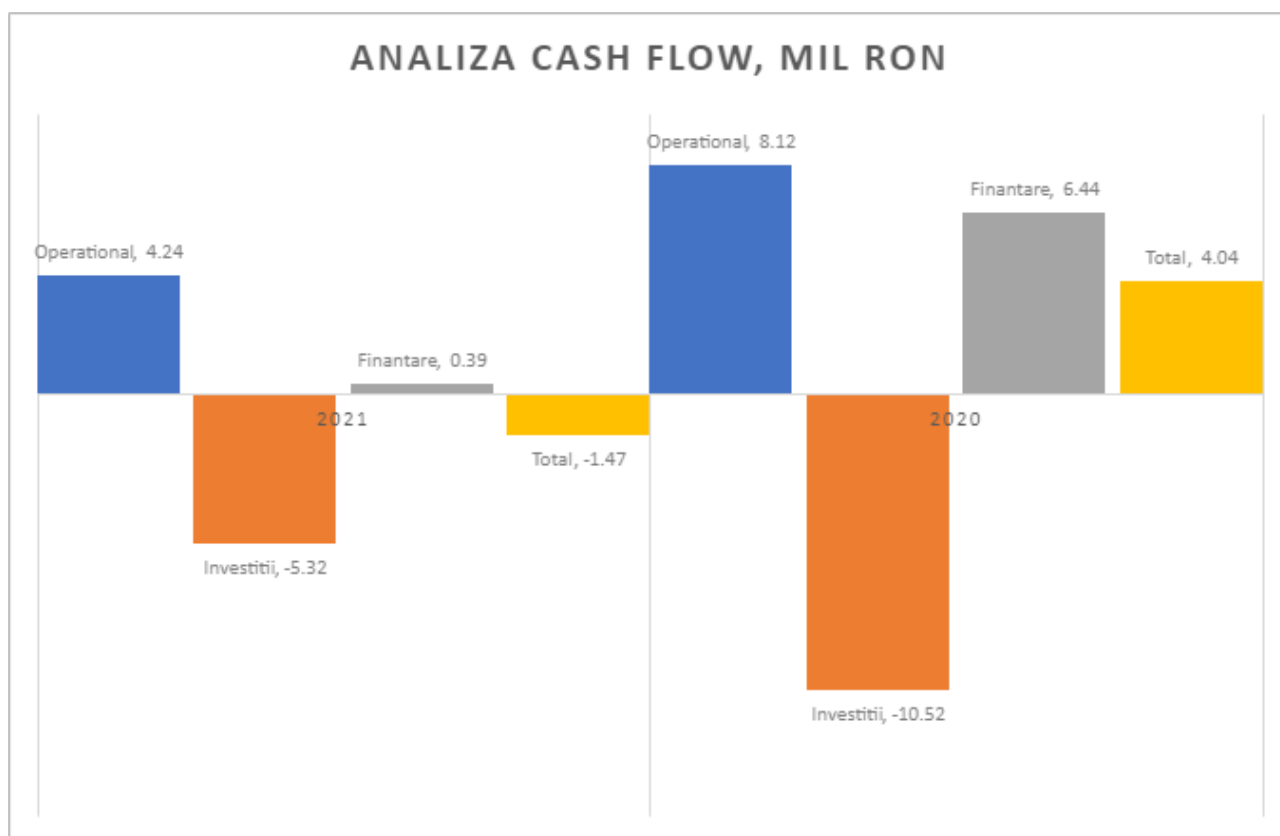
Less than half of the equity comes from capital raising operations through stock exchange mechanisms - most of which are business-generated profits, capitalized by issuing new shares.

## Consolidated Cash Flow

The operational activity generated, RON 4.24 million. 2016 continues to be the only year in the company's history in which the operational cash flow did not register a positive value.

The financing activity was approximately neutral, the year starting with accessing a round of "equity" funding amounting to RON 10.4 million, and during the year we fully repaid the bond issue BNET22 (RON 4.5 million), repaid bank loans in amount of RON 1.9 million, we paid total interests of RON 3.2 million and leasing debts of approximately RON 1.2 million.

The "game" of these figures allowed us to increase the investment activity by another RON 4 million compared to last year - making a total payment of almost RON 14.2 million, but also **to end the year with a cash position approximately equal to the beginning of the year!**



We mention that the CAPEX investment needs for maintenance are specific to the IT sector in which we perform our activity - around 1% of annual turnover



## BNET investment thesis

From the beginning of our journey as a listed company we have tried to convey “our value proposition” to investors in an as transparent manner as possible. In other words, what we offer to investors, which is the investment thesis that anyone who chooses to trust us can have.

This can be expressed very simply in the following sentence:

***You invest in the medium and long term in BNET shares if you want exposure to the Romanian IT&C industry, an accelerated growth field, together with a management team that has not only skin in the game but also demonstrated over 15 years better results than industry average, both operationally and in terms of capital management.***

Each of the decisions we make is aimed at building an anti-fragile group, so that we have the strongest force - time - with us (“Time is the friend of the wonderful business, the enemy of the average ones”). The second element is the combination of ‘good operations’ and the ability to manage capital, as described in the ‘secret of success’ in the book ‘The outsiders - 8 outstanding CEOs’. Below are some arguments for each of the components of this investment thesis:

- Choosing an industry with favourable prospects is a decision that completely eases both the work of investors and decreases the importance of choosing a competent management: “a rising tide lifts all boats”. There has been no industry in the last 20 years that has continued to grow faster than the IT&C industry.
- The existence of a management team with ‘significant skin in the game’ solves the ‘principal-agent’ problem so demanded by investors on the Romanian capital market. If the well-being of the management comes from the same sources, through the same mechanisms as the small shareholders, the most important conflict is eliminated. Thus, in our case, the value of BNET shares represents for management both most of the personal wealth and most of the income (unlike salary, the option-based compensation policy aligns the management's income with the wealth brought to the shareholders).
- Demonstrated track record from an operational point of view: in addition to numerous international recognitions (Deloitte Top 50 in Tech, Financial Times Top 1000 Fastest Growing Companies, EY Entrepreneur of the Year finalists, etc.), we can illustrate the operational capacity in 2 ways:
  - I saw in 2021 an announcement of a very respectable IT company that was doing a retrospective of the entire activity, on the occasion of a 10 or 15 year anniversary. During this period, the company successfully delivered over 700 projects. By comparison, Bittnet delivers over 4,000 projects annually, with minimalist operational overhead, both in terms of cost and time. The fact that our initial activity is basic is IT training and, the specific complexity of successfully organizing this business, forced us to build systems and operational tools specific to companies much larger than business, with increased complexity. On the other hand, once this impediment is overcome, we now enjoy a competitive advantage that is hard to match from this point of view.
  - Analysing the historical evolution of the return on equity (Return on Equity), it always has values around 41%.
- Demonstrated track record from the point of view of capital management: the growth rate of equity attracted historically, through the mechanisms of the capital market is about 43%, which strengthens our confidence in the adopted financial model, which we intend to continue to apply as long as the results continue to be visibly better than the market average.

	Net profit	Equity t0	ROE
2014	115	865	
2015	889	1.920	103%
2016	870	3.100	45%
2017	1.206	5.961	39%
2018	4.408	14.001	74%
2019	-4.459	12.372	-32%
2020	1025	27646	8%
2021	14.424	55.24	53%
		Average	42%

Operation	Amount
Equity as of 15 Apr 2015	-864.743
MCS05-Dec-17	-807.127
MCS14-Dec-18	-2,892,205
MCS10-Apr-20	-9,168,712
MCS02-Mar-21	-10,725,345
Equity as of 30-Sep-21	52,999,851
Out of which, attracted amounts	-23,593,389
IRR	42.9%

Of course, some investors may find that any of the components of the investment thesis described above do not match their investment style. However, we would like our shareholders to understand the "bet" they make when investing in Bittnet Group shares: the fact that the vision of accelerated growth towards a turnover of RON 500 million generates a special opportunity in the medium and long term. and that sometimes the evolution of quarterly, half-yearly or annual results will fluctuate. We, the management team, are here to clarify these fluctuations and to guide our journey together towards the figure of RON 500 million, without having as objective the share price, which, on the contrary, is decided by the shareholders. However, we are convinced that in the long run the value of the company will reflect the business results.

**We conclude this chapter by reminding you that no investment in the shares of a company is risk-free, and please read carefully the chapters on Risks in the Universal Registration Document, or on the investor relations website.**

## Events in the Technology Division in 2021

	31.Dec.21	31.Dec.20	
<b>Revenues</b>	<b>98,434,367</b>	<b>96,397,656</b>	<b>2.1%</b>
Service providing	24,477,417	19,270,712	27%
Sale of goods	73,956,950	77,126,944	-4.1%
<b>Cost of sales</b>	<b>81,128,573</b>	<b>82,701,173</b>	<b>-1.9%</b>
Goods/materials	63,705,398	68,303,617	-6.7%
Cloud services	5,491,123	5,178,219	6.0%
Hours/worker	11,932,052	9,219,337	29.4%
<b>Gross margin</b>	<b>17,305,794</b>	<b>13,696,483</b>	<b>26.4%</b>
<b>Other revenues</b>	<b>2,824,219</b>	<b>148,284</b>	<b>1804.6%</b>
<b>Sales/distribution ex-penses</b>	<b>5,624,408</b>	<b>5,203,157</b>	<b>8.1%</b>
Hours/worker	4,878,758	4,636,923	5.2%
Advertisement	745,650	566,234	31.7%
<b>Administrative ex-penses</b>	<b>6,836,056</b>	<b>5,773,911</b>	<b>18.4%</b>
Hours/worker	3,259,951	3,332,564	-2.2%
Amortization	1,073,068	1,436,348	-25.3%
Other third party services	1,200,910	551,355	117.8%
Other expenditures	403,299	200,409	101.2%
<b>EBIT</b>	<b>7,669,549</b>	<b>2,867,698</b>	<b>167.4%</b>

If we were to describe 2021 in one sentence, we can certainly say that this year was a year of **contrasts**. On the one hand, for the entire (local but also global) business environment, 2021 was a year of hope - to overcome the health crisis, to stop / overcome its effects and, why not, to start a new normality - respectively increasing the stability and business predictability.

On the other hand, this hope was doubled by a much more "indecisive", more unpredictable reality, in which successive pandemic waves, local political instability but also much deeper effects of the global crisis continued to show their presence.

In this context of low predictability, the technology division of the Bittnet group managed to capitalize on certain trends in order to obtain

both a significant increase in the gross margin generated: from RON 13.7 to 17.3 million but also a significant increase in operating profits generated (an 167% increase), in the conditions of a marginal increase of the turnover.

A major advantage of the way the technology division is structured is the coverage of a wide range of IT products and services, with a high degree of resilience to prolonged crises. In this sense, the fact that we include in the technology division both the implementation of platforms and hardware products, strongly affected by the semiconductor crisis (details below), but also significant components of high value-added services, such as audit services and infrastructure consulting Complex IT or services in the area of business applications and artificial intelligence, has led to greater stability of the entire business model.

We can note the following trends that created in 2021 and will create in 2022 a significant impact on the activity of the technology division:

1. The demand for IT services and solutions covered by the technology division's portfolio **is still consistent!** We can even say that at the moment, global technology companies, such as hardware manufacturers in particular, are facing significant difficulties in meeting this demand. In the short term, pressure is created on the entire chain - from component production to delivery / implementation / system operation, but in the long run this demand will be met by companies that will have the right combination of expertise and specialized resources for both "on-premise" projects and for "cloud" or hybrid architectures). This trend can be seen in the very large volume of projects generated in 2021 by companies in the technology division, projects that for reasons of supply / resources were moved (backlog) in 2022.
2. **The exacerbation of the semiconductor crisis** has significantly affected projects that include hardware components. Although in the first quarter and even the first 6 months of 2021 there were moments of return of supply flows with components (processors / chips), since May 2021 this trend has entered a downward spiral (more information: <https://www.bloomberg.com/news/articles/2021-05-18/wait-for-chip-deliveries-increased-in-sign-shortage-persists> and here: <https://www.bloomberg.com/news/articles/2021-08-23/chip-shortage-set-to-worsen-as-covid-rampages-through-malaysia>). When can we consider this situation was overcome? Certainly in the near future: <https://www.bloomberg.com/graphics/2021-chip-production-why-hard-to-make-semiconductors/>
3. **The pressure of the human factor** - the global pandemic has introduced a relaxation of the way companies contract and interact with employees and collaborators. More and more global projects are being delivered with relocated resources, the geographical location currently has only a purely fiscal significance. As a result, Romanian IT companies, including companies in the group's technology division, face extremely aggressive global competition in a market where highly skilled labour is scarce and increasingly mobile.

4. The consistent digitization of work processes over the last two years has led to **a significant increase in the demand for expertise in the Cybersecurity space**. Given that Dendrio offers a wide range of solutions and services in the area of cybersecurity, but also the fact that since August 2021 the technology division has begun to include other companies with exceptional cyber expertise, such as: IT Prepared, Global Resolution Experts (GRX), or iSec Associates (iSec) – we can consider that at this moment the technology division and the Bittnet group are in an extremely favourable position for the next period.

From the point of view of the structure of the technology division, with the entry into the group, in the second half of 2021, of the new companies (IT Prepared, Nenos, Nonlinear, iSec and GRX) a structuring of the activities on two distinct technology segments occurs:

1. Implementation, security and operation of complex IT infrastructures (Secured & Managed Infrastructure). We hereby include:
  - Dendrio Solutions – specialising in (on premise and/or cloud) hybrid IT system design and implementation;
  - IT Prepared – a company specialized in optimizing and operating IT infrastructures (recurring, subscription-based services, managed services);
  - GRX and iSec – companies specialising in audit and consulting projects in the field of cybersecurity.
2. Applications for the business environment (Business Apps):
  - Elian Solutions – company specialized in implementing Enterprise Resource Planning (ERP - Microsoft Business Central) solutions and data analysis and visualization systems (Microsoft Power BI)
  - Nenos and Nonlinear – companies specialising in developing Artificial Intelligence-based platforms

## Cloud & Infrastructure - Dendrio

For Dendrio Solutions - the IT systems integration company within the Bittnet group - 2021 was a year in which certain developments initially felt in 2020 continued to be accentuated:

- Significant increase in projects generated in 2021 whose delivery was postponed for 2022. Although the sale process has a clear purpose in 2021 - either procurement procedures in which the Dendrio bid is officially declared the winner or projects budgeted and approved by private companies - some of these projects could not be implemented during the year, especially due to the significant extension of the delivery times of the hardware components (semiconductor crisis). If at the end of 2020 we were talking about a volume of RON 5 million in this situation, at the end of 2021 we have a volume of over RON 40 million in this category. Even in these conditions, the company managed to increase the gross margin generated by over 20% and keep the turnover close to that of 2020. We will keep monitoring this indicator carefully throughout 2022, given the persistence of the semiconductor crisis.
- **Increasing the service volume.** To offset the impact of the delay in equipment delivery, the Dendrio team focused on growing projects with a significant service component - an increase of over 22% compared to 2020. Projects with a significant consulting component (audit, technology architecture or technology adoption projects) have increased in volume compared to previous years when implementation services contributed an overwhelming rate to this figure.
- The disappearance of a clear seasonality - the extension of projects to 2022 allows us to enter the new financial year with a consistent volume of projects awarded ("pipeline") which will be distributed (depending on equipment deliveries) throughout the year.

From an operational perspective, during 2021 we have continued the strategic initiatives launched in 2020 and new initiatives have been launched:

- Strengthening the strategic partnerships at the level of the team dedicated to large accounts - in particular with the telecommunications operators but also with specialized partners, increasing by over 40% the volume generated by these partnerships.
- Extension of existing contracts, including at regional level - a new company in its large customer portfolio has decided to benefit from the expertise of Dendrio and the companies in Bittnet's technology division for regional expansion. The project is all the more important as a transition has been made to cloud technology and managed services - IT Prepared, a company newly joined the Bittnet group, taking over the management and optimization of IT processes. We are convinced that in the future we will meet more and more companies located in Eastern Europe that will follow a similar expansion model.
- Consolidation and integration of processes at the level of the team dedicated to medium and small companies. The implementation of a sales process based on "Buyer Journey" was initiated by the education division. Based on its experience, we started adapting this process for the technology division at the end of 2020. In 2021, the Sales Development Representatives team already had 4 colleagues and we aim to expand it further in 2022, but also to expand the processes of the entire Dendrio company. More than 600 companies were contacted merely during Q4, with a 11% (outbound), and 19% (inbound) conversion rate.
- The Customer Success team, launched at the end of 2020 - became operational in 2021, making Dendrio one of the first Cisco Gold Partner companies specializing in Customer Experience in Romania. More than 50 of Dendrio's most important customers have been included in the satisfaction rating program - a mechanism by which we aim to better understand our customers' expectations.
- In the second half of 2021, the Project Management Office was created - at the level of the entire Bittnet group but with a significant impact on Dendrio's delivery processes. There are 5 employees currently working in this department.
- Last but not least, it is important to mention the **increase in the number of projects delivered**. In 2021 the number of delivered projects increased by over 11% compared to 2020, confirming that the operational platform but also the delivery processes of Dendrio are scalable.
- The sale of the Computer Aided Design (CAD) division - an initiative that has generated an attractive financial return for shareholders but will lead in the short and medium term to an increase in Dendrio's focus on projects that include a significant component of services.

## Cyber Security & Managed Services- GRX, iSEC, IT Prepared

Global Resolution Experts, iSec and IT Prepared are companies that have recently joined - in the second half of 2021 - the technology division of the Bittnet group. We will not go into extensive information about these companies in this report, and this information will be added in future reports. However, it is important to note certain directions that are manifested in this segment, cybersecurity services and managed services:

- The year 2021 was marked by a significant increase in requests from companies, both for consulting services to improve the level of IT security and for evaluation services (audits and penetration tests). This increase has been marked by a significant increase in the frequency and complexity of cyber attacks such as phishing, ransomware and APT (Advanced Persistent Threat). In addition, the pandemic context and the new rules imposed by work-from-home organizations have brought new challenges in managing and securing the equipment used by employees. All this context has favoured the growing need for cybersecurity services.
- We expect to have this trend maintained in 2022, but also to witness new opportunities emerging generated by the security requirements imposed by CERT-RO through the NIS Directive on Essential Service Operators (ESO), as well as other legislative initiatives launched by the Romanian Digitisation Authority.
- Last but not least, we believe that the budget for the digitization component envisaged under the PNRR program will generate new projects for the implementation of IT solutions and systems, which will also involve a solid component of cybersecurity services.

## Business Applications - Elian

2021 was first and foremost dedicated to strengthening the team and improving the delivery capacity in projects. We invested in the recruitment process and we attracted senior resources, which went into production much faster than the average of previous years, decreasing significantly compared to 6 months - the average time before going into production. At the end of 2020 we had a team of 21 employees and collaborators, whereas at the end of 2021 we had 32 employees and collaborators - the new resources being mostly senior resources.

In terms of improving flows and processes during 2021, the position of dedicated Project Manager was created. We thus aim to improve communication with customers as well as to a better coordination of delivery teams per project. All these efforts resulted in a significant increase in turnover in 2021 (35% more compared to 2020), the results being visible especially during the second half, as a result of the efforts made in the first part of the year.

### Significant initiatives and projects

- Significant projects were delivered ("Go Live") as planned: MyGeisha, Green PC Ambalaje, and Bayer Strada. We also completed the pre-production processes at Dietsmann, so the customer started using the new solution in January 2022, as planned.
- **The first Microsoft Business Central partner of the SAF-T statement** - In 2021 we focused on developing the solution for the new D406 statement (also known as the SAF-T), a statement that primarily impacts large taxpayers (who have been required to file a return since January 2022). As a result of our efforts, we were the first partner to complete the development for Microsoft Dynamics 365 Business Central!
- **Increasing recurring revenues** - increasingly large companies are opting for "cloud" licensing (subscription) rather than licensing, which has led to an increase in recurring revenue from monthly subscriptions - a trend that we believe will continue over the next period.
- **Real estate solution** - we started developing a real estate solution in 2021.
- It is also worth mentioning that Elian Solutions extended the certification of Microsoft Gold Partner in 2021.

## Software Development - Nenos & Nonlinear

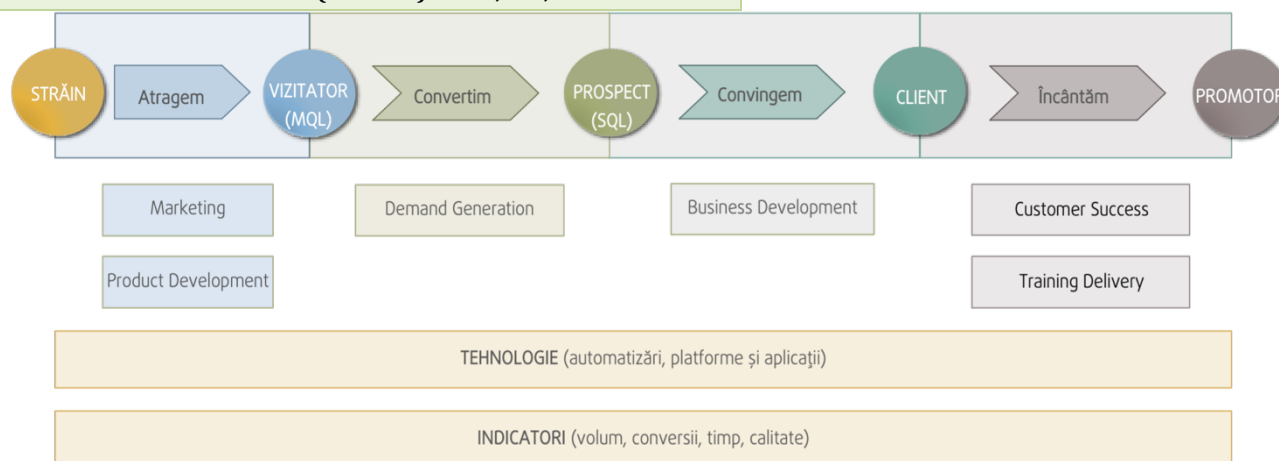
- In the field of software development and artificial intelligence, the accelerated development of a company depends to a large extent on its capacity to attract new talents. Considering this, Nenos and Nonlinear initiated Nenos Academy, an initiative which helps develop and attract new resources.
- With the help of the 4 trainers of Nenos Academy (team established in the second half of 2021) the company supports online training in JavaScript and Python languages
- The Nenos Academy also contributed to the organization of the Softbinator Foundation (synergy created by the entry of Nenos into the Bittnet group) - Nenos thus having access to a significant pool of talent in software development
- A software development project for Chromosome Dynamics (CHRD) was launched in December 2021 - a project that will bring several technological and operational innovations for the Romanian agricultural sector.



## Events in the Education Division in 2021

	31.Dec.21	31.Dec.20	
<b>Revenues</b>	<b>14,156,623</b>	<b>12,794,103</b>	<b>10.6%</b>
<b>Cost of sales</b>	<b>6,983,578</b>	<b>5,024,193</b>	<b>39%</b>
Cost for selling goods/materials	223.162	878.855	-74.6%
Hours/worker	6,760,416	4,145,337	63.1%
<b>Gross margin</b>	<b>7,173,045</b>	<b>7,769,911</b>	<b>-7.7%</b>
<b>Other revenues</b>	<b>1,246,884</b>	<b>303,544</b>	<b>310.8%</b>
<b>Sales/distribution ex-penses</b>	<b>3,909,709</b>	<b>2,305,830</b>	<b>69.6%</b>
Staff expenditure	2,850,062	1,732,169	64.5%
Advertisement	1,059,647	573,661	84.7%
<b>Administrative ex-penses</b>	<b>4,834,360</b>	<b>6,836,056</b>	<b>-29.3%</b>
Staff expenditure	1,650,449	1,239,552	33.1%
Amortization	1,315,200	557,590	135.9%
Other third party services	1,100,868	406,643	170.7%
Other expenditures	362,931	235,170	54.3%
<b>EBIT</b>	<b>(324.139)</b>	<b>3,062,905</b>	<b>-110.6%</b>

2021 was a typical year for the Education Division, in the sense that we returned to the classic model in the training industry in which the first term represents 40% of the sales figures, while the second term 60%, as we were used to before the pandemic. Below you can find the main activities of each team, as they are involved in "Buyer Journey", our new business model that we initiated two years ago, we have rigorously implemented throughout 2021 and which is starting to have good results. For example, we have 50% more customers in 2021 than in 2020, who will keep buying over the coming years.



### MARKETING & PRODUCT DEVELOPMENT team

#### Technical skills (Bittnet Training and CLC brands)

This year we continued to refine the lead generation model by developing content. Both the video content and the 7 e-books developed generated over 4000 downloads and over 500 MQL (Marketing Qualified Leads). In addition to lead generation, Product Managers have built and implemented 21 campaigns to promote our webinars, generating over 4,000 registrations for our virtual events.

During the second part of the year we also launched ABM (Account Based Marketing) campaigns on LinkedIn for DevOps Artisan, our international sales project, for CTRL + N, our professional reskilling project, and for Bittnet. The encouraging results make us consider extending this approach to other projects or companies in the Education Division.

In 2021 the Bittnet websites [www.bittnet.ro](http://www.bittnet.ro), [www.ctrln.ro](http://www.ctrln.ro) and [www.devopsartisan.com](http://www.devopsartisan.com) were accessed by more than 183,000 visitors overall, while our digital campaigns were viewed by an average of 4,947,000 users online.

Since August, I have become the strategic education partner of ANIS (Employers' Association of the Software Industry) and I have already delivered a first webinar for the L&D specialists of the ANIS member companies.

In 2021 we introduced in the portfolio new courses in the area of IT Service Management from the Peoplecert vendor and we developed with our instructors trainings adapted to the market requirements and the needs of the clients in the security area.



### Human skills (the Equatorial and The e-learning Company brands)

We have completed the configuration of the new FutureSkills learning platform and started testing it in projects with clients. The main features and benefits of the platform respond to the learning needs and learning styles of Learner Persona in the target group, identified following the qualitative research conducted at the end of 2020:

- LMS & social media infrastructure
- Complete learning experiences: live online sessions, self-paced study, collaborative work
- Adapting to the rhythm and individuality of each participant
- The Social Learning component through the high level of collaboration and practice groups
- Constantly updating content (learner generated content).
- Mixing content and methods in an architecture (learning journey) that allows collaboration with learning stakeholders.

In March we also got recognition from human resources professionals during the Excellence in Human Resources Awards Gala, sponsored and organized by HR Club. We won the award for the best program in the Training and Development category, for the VRunners Fn + F5 project implemented by Equatorial in 2020 for the Software Development department of Miele Brasov.

At the end of last year, Equatorial partnered with Human Synergistics to provide consulting services to IT companies as part of the National Organizational Culture and Leadership Impact Research.

### **DEMAND GENERATION team**

As the main lead generator for the sales team, the Demand generation team increased its staff, to reach 5 SDR (Sales Development Representative) led by a Team Lead.

Throughout the year we have constantly refined the two lead generation processes, i.e. the Inbound and Outbound process, we have standardized the work and the loading and we have established the performance indicators helping us to skill professionals. At the end of the year we built the “operational textbook”, which is the standard for generating leads in the Education division

The Inbound process involved managing 523 leads from the site’s marketing and registration campaigns, and further up skilling 175 leads. The Outbound process involved approaching 686 companies in areas such as IT & Telco, Finance & Banking, and Manufacturing. We up skilled 85 leads in these fields.

The amount of the leads earned from these campaigns currently exceeds EUR 160,000, over EUR 80,000 of those still being open (under management).

## BUSINESS DEVELOPMENT

### 1. Bittnet Training team

The business development team went through an accelerated process of changing and experimenting with the way we approach customers in 2021. It has been a year dedicated to learning how to use customer profiling applications and tools, strategic planning tools, and working more systematically with CRM. All this discipline in execution produced results especially in the second part of the year when we managed to recover the harder beginning of the year.

The business development team opened a number of 1,573 opportunities, of which 676 were closed with “awarded” status. We have managed 103 clients. Of these, 35 were new customers. We completed the year with a RON 11 million turnover and a RON 6 million gross margin.

In addition to the current activity of the business development team, it is worth mentioning that last year we focused on the opportunities offered by European projects through partnerships with consulting companies. There are 6 such opportunities that we are actively working on, with an estimated value of EUR 2.5 million, of which we hope to gain a significant share.

### 2. Computer Learning Center team

Being one of the important players in the Romanian CyberSecurity training market, with young sales teams and instructors, with over 18 years of experience and more than 6,000 students trained over time, CLC provides training and education services whose main goal is to train in the field of information security, audit and evaluation of information systems. Such training is intended for both managers and information security professionals who want to be up to date with the latest technologies and solutions;

In addition to the traditional sales, through the effort of the whole team, we managed to win three important projects following the participation in public tenders:

1. Training services in the field of cyber security necessary for the implementation of the project called “Extension of the investigative capabilities of the cyber defense system at the level of the Ministry of Internal Affairs CYBINT, Sipoca Code / MySMIS 858/134962, LOT 4 - Advanced course in computer networks” - fully developed in 2021
2. High-level cybersecurity training services for the implementation of the project “Updating and developing the national system of protection of IT&C infrastructures with critical values for national security against cyber threats” - running from November 2021 until June 2022
3. “IDEA - Innovate, Discover, Evolve, Apply” - occurring in early 2022

In September, we started the integration process, which involved, in addition to continuing the sales of courses, the adaptation to new tools and working procedures.

### 3. Equatorial team

Overall, 2021 was a year of reconstruction and sustained effort, a year of growing business and people. The changes started in 2020 have gained consistency, and we have dedicated our efforts to consolidating Equatorial's positioning strategy as a specialist in developing human skills for Team Team Leaders in IT organizations. The repositioning of Equatorial as a provider of soft skills for IT organizations materialized by gaining 7 new customers in the IT industry. The FutureSkills collaborative learning platform and the VRrunners game are the basis for the awarded projects.

This year we also contributed to the development of the next generations, with two gamified projects in which we used the VRrunners platform:

- **Happy Teens**, the first project intended for preventing depression among adolescents, in partnership with the Happy Minds Association;
- **Pride-U VRrunners**, within the POCU (“Human Capital Operational Project”) project carried out by the Bucharest Academy of Economic Sciences.

#### 4. The e-Learning Company team

The year 2021 was the year of growth at a faster pace than expected, mainly due to the expansion of the course catalogue (645 course modules in Romanian) and the more intense use of the LMS platform. The pandemic the rate of use of online courses was about 15% (in the best cases it reached 20% of the number of employees of a company), whereas in 2021 it accelerated the trend of 2020 related to the higher rate of fund access (even by more than 80% in some companies).

The industries that have chosen to use e-learning solutions in 2021 are: Banking; FMCG; Automotive; Oil and Gas; Utilities; Manufacturing; Retail; Services; Insurance.

In the second half of the year we turned our attention to public administrations where we launched pilot projects in the last months of the year and the results are above expectations, the adoption of online courses is at a very high level, over 60% of employees participated in the pilot projects they accessed online courses in the first two months.

#### DELIVERY & CUSTOMER SUCCESS

One of the main concerns of our Training Managers was to grow and professionalize the team of internal trainers and collaborators. The fact that we now have a Training Manager for both technical and human skills trainings has helped us build a significant part of the processes and procedures needed in the final stage of the Buyer Journey.

The Customer Success managers have also completed the working procedures and use cases that demonstrate the ROI obtained by the clients for the educational projects carried out along with us.

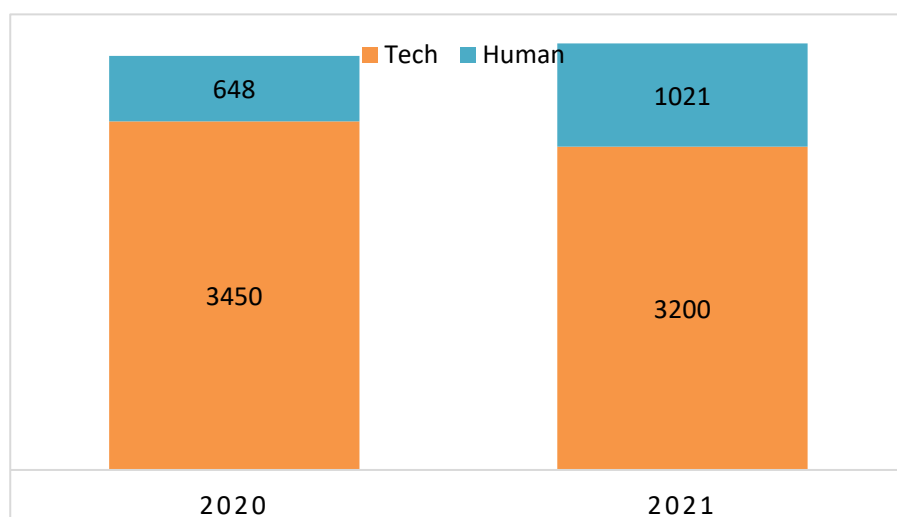
##### Technical skills

- 326 sessions, both private and public; we had 3200 students (250 fewer than in 2020); the delivery was made with 45 internal instructors and collaborators; the most requested resumes were in 2021 DevOps Artisan and Microsoft.

	2021	2020	2019
<b>Number of classes</b>	326	321	367
<b>Number of students</b>	3200	3450	3836
<b>Workload by class</b>	9.81	10.47	10.45

##### Human Skills

- 204 private sessions; we had 1,012 students compared to 648 in 2020 (of which 450 also VRUNNERS players, compared to 180 in 2020); the delivery was made with 7 internal instructors and collaborators
- over 78,000 users have active accounts for accessing Skillsoft courses in Romanian provided by The e-learning Company compared to 52,000 last year. Of these, over 50,000 are students who access our iKnowLMS platform and for the other students the client companies use other platforms.



## 2022 Budget for reference only

The Revenue and Expenditure Budget is approved every year in April by the General Meeting of Shareholders. Below are the working hypotheses of the management team for the 2021 - the indicative proposal to be presented to the shareholders in the GMS.

Element (figures in thousands of RON)	Training	Vs 2021	Integration	Vs 2021	Consolidated	Vs 2021
<b>Turnover</b>	<b>23.872</b>	<b>69%</b>	<b>134.621</b>	<b>37%</b>	<b>158.493</b>	<b>41%</b>
Direct expenses	10.420	50%	99.739	23%	110.159	25%
<b>Gross margin</b>	<b>13.451</b>	<b>87%</b>	<b>34.882</b>	<b>104%</b>	<b>48.333</b>	<b>99%</b>
<b>Indirect expenses (out of which)</b>	<b>10.791</b>	<b>21%</b>	<b>18.695</b>	<b>50%</b>	<b>29.486</b>	<b>38%</b>
Sales/distribution expenses	5.205	33%	9.350	67%	14.555	53%
Hours/worker Indirect expenses	2.299	40%	4.630	42%	6.929	6%
Administrative expenses	3.286	-11%	4.714	86%	8.001	15%
<b>EBITDA</b>	<b>2.660</b>	<b>424%</b>	<b>16.186</b>	<b>0%</b>	<b>18.847</b>	<b>114%</b>
Depreciation	1.023	-21%	987	-7%	2.011	-15%
<b>Operating profit</b>	<b>1.763</b>	<b>-324%</b>	<b>15.198</b>	<b>110%</b>	<b>16.961</b>	<b>163%</b>
Financial Profit					1.250	-87%
SOP adjustment					840	-21%
<b>Gross profit</b>					<b>17.371</b>	<b>8%</b>
<b>Net profit</b>					<b>14.592</b>	<b>4%</b>

The assumptions on which this budget is built are, we believe, conservative, and they are set out below:

1. Sales increase only with the current backlog, otherwise we repeat the year 2021
2. We are not completing any M&A projects in 2022
3. The gross margin therefore increases by only 2x compared to sales, although historically this multiplier is 3-6x;
4. Administrative expenses increase by 15%, versus the historical downward trend;
5. The financial business only generates 1.25 million profit, versus 9.7 previously
6. We do not attract capital of any kind, nor do we reduce the interest paid.

## Annex 1 – ‘Alternative Performance Measurements’ on alternative key performance indicators

The ESMA guidelines require us to explain any indicator we have used in assessing the financial or non-financial results of the company, if that indicator is not found in the IFRS or XBRL standards, published by ESEF. In our financial statements, we used the following indicators:

Indicator	Definition/Calculation method	Why is it relevant?
<b>Operating profit</b>	<p>It is about the core business profit, i.e. the business of serving our clients.</p> <p>It takes into consideration all the incomes and expenses related to the current business and does not take into consideration the financial incomes and expenses, or those related to the holding-type business (of the group, i.e. us as a listed company).</p> <p>It is calculated by taking out of each business line results the income and expenses items (cash or non-cash) that are not related to the current business.</p> <p>The most significant adjustments (differences between gross profit and operating profit) are:</p> <ol style="list-style-type: none"> <li>1. Financial result elimination (expenses addition to the gross profit, and financial-type incomes subtraction)</li> <li>2. Non-cash IFRS adjustment elimination, related to the Stock Option Plan</li> </ol>	<p>Operational business (also known as ‘current’ or ‘core’) means the company businesses.</p> <p>This measures the performance and the business activity in relation to the competition, regardless of the taxation environment, the reporting accounting framework or the company financing method (the mix of equity and loans, the costs of maintaining the stock exchange rate, etc.).</p> <p>That is to say, this is the result the company (or each business line) would have if it operated as a company fully financed by its own resources (by ‘equity’ – shareholders’ equity).</p>
<b>‘Gross Margin’, or</b> <b>‘gross margin’, or</b> <b>‘GM’, or ‘margin’</b>	<p>The calculation formula for this indicator is the ‘revenue MINUS COGS (cost of goods sold)’.</p> <p>Thus, the expenses directly related to those projects (obtaining those revenues) is subtracted from the invoices issued to clients. For the software license resale projects, we buy a license for RON 90 and resell it to the client for RON 100. The difference is the “gross margin”.</p> <p>If we invoice a client for a cloud project implementation services, the gross margin is the difference between the revenues invoiced to the client and the man-hour cost required for implementation, regardless if the implementing engineer is our employee or a subcontractor.</p>	<p>This indicator is the company’s “GDP”, it is the “added value” that we generated for our partners.</p> <p>This indicator reflects not only the value we bring to our clients, but also, by inward looking at the company, it reflects the amounts of money we have at our disposal to cover the fixed expenses.</p>

**2021 consolidated unaudited financial statements**

**BITTNET SYSTEMS SA**

**CONSOLIDATED FINANCIAL  
STATEMENTS,  
PRELIMINARY, UNAUDITED**

**Prepared in accordance with Order of the  
Minister of Public Finance no. 2844/2016 with  
subsequent amendments,  
for financial year ended December 31st , 2021**

**BITTNET SYSTEMS SA**  
**CONSOLIDATED PRELIMINARY UNAUDITED FINANCIAL STATEMENT**

For fiscal year 2021  
(all values in RON unless otherwise specified)

**CONSOLIDATED COMPREHENSIVE INCOME STATEMENT**

	<u>2021</u>	<u>2020</u>
Revenue	112,590,990	109,191,760
Sales costs	<u>(88,112,151)</u>	<u>(87,725,366)</u>
<b>Gross margin</b>	<b>24,478,839</b>	<b>21,466,394</b>
Other income	4,071,104	451,828
Selling expenses	<u>(9,534,117)</u>	<u>(7,508,988)</u>
General and administrative expenses	<u>(12,737,327)</u>	<u>(10,053,352)</u>
Profit / Loss – Equity Method Holdings	775,706	(171,521)
Financial income	12,370,759	1,319,470
Financial expenses	<u>(3,255,940)</u>	<u>(4,019,587)</u>
<b>Gross profit</b>	<b>16,169,024</b>	<b>1,484,245</b>
Income tax	<u>(1,744,544)</u>	<u>(459,211)</u>
<b>Net profit:</b>	<b>14,424,480</b>	<b>1,025,034</b>
Parent company	13,700,235	895,127
Minority interests	724,245	129,907
<b>Other elements of global result</b>	<b>-</b>	<b>-</b>
<b>Total result</b>	<b>14,424,480</b>	<b>1,025,034</b>
Parent company	13,700,235	895,127
Minority interests	724,245	129,907



**BITTNET SYSTEMS SA**  
**CONSOLIDATED PRELIMINARY UNAUDITED FINANCIAL STATEMENT**

For fiscal year 2021  
(all values in RON unless otherwise specified)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<u>31 dec 2021</u>	<u>31 dec 2020</u>
<b>ASSETS</b>		
<b>Fixed assets</b>		
Goodwill	39.893.983	21,082,977
Other intangible assets	9.208.535	8,820,959
Tangible assets	2.352.513	5,443,423
Equivalent securities	1.999.532	8,527,500
Other financial assets	372.744	7,483
Postponed tax	102.060	650,200
<b>Fixed assets – Total</b>	<b>53.929.367</b>	<b>44,532,542</b>
<b>Current assets</b>		
Inventories	1.184.962	1,157,052
Trade receivables and other receivables	37.522.204	30,330,712
Other financial assets	17.919.885	1,459,700
Cash and equivalents	23.404.847	24,872,655
<b>Current assets – Total</b>	<b>80.031.898</b>	<b>57,820,119</b>
<b>TOTAL ASSETS</b>	<b>133.961.265</b>	<b>102,352,661</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	48.043.690	26,443,139
Issuance premium	14.542.953	25,409,965
Other equity items	(19.082.504)	(19,893,997)
Reserves	773.854	468,943
Previos reported result	8,440,630	(5,036,978)
<b>Parent company equity</b>	<b>52.718.624</b>	<b>27,391,072</b>
Non-controlling interests	2.530.740	255,237
<b>Total equity and reserves</b>	<b>55.249.364</b>	<b>27,646,309</b>
<b>Long-term liabilities</b>		
Bonds	24.044.334	28,357,324
Bank loans	6.337.191	4,570,517
Leasing	598.751	3,036,719
Long term liabilities	592.420	-
<b>Long term liabilities – Total</b>	<b>31,571,696</b>	<b>35,964,560</b>
<b>Current liabilities</b>		
Bonds	872.768	889,781
Bank loans	3.882.132	7,583,930
Leasing	618.964	1,401,465
Dividend	9.995	-
Tax	362.805	121,203
Comercial liabilities and other liabilities	41.392.542	28,745,411
<b>Current liabilities – Total</b>	<b>47.139.205</b>	<b>38,741,791</b>
<b>Liabilities - Total</b>	<b>78.711.902</b>	<b>74,706,352</b>
<b>EQUITY AND LIABILITIES – TOTAL</b>	<b>133,961,265</b>	<b>102,352,661</b>
	<b>1</b>	<b>1</b>

**BITTNET SYSTEMS SA**  
**CONSOLIDATED PRELIMINARY UNAUDITED FINANCIAL STATEMENT**

For fiscal year 2021  
(all values in RON unless otherwise specified)

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	2021	2020
<b>Gross profit</b>	<b>16.169.024</b>	<b>1,484,245</b>
Adjustments for:		
Depreciation expenses	2.388.267	1,993,939
Expenses related to assigned assets	102.899	-
SOP benefits	1.066.911	1,574,721
Adjustments for receivables depreciation	48.775	(262,885)
Interest expenses and other financial expenses	3.300.278	3,362,206
Interest income	(41.247)	323,690
Profit – Securities investments	(11.988.124)	(1,168,120)
Profit – Equity method investments	(775.706)	171,521
<b>Operating Profit before working capital variation</b>	<b>10.271.078</b>	<b>7,479,318</b>
Variation in receivables account balance	(1.412.462)	3,224,995
Variation in inventory account balance	(27.748)	1,410,184
Variation in payables account balance	(3.606.979)	(3,683,943)
<b>Operating activities cash</b>	<b>5.223.889</b>	<b>8,430,553</b>
Income tax paid	(981.623)	(310,496)
<b>Operating activities-generated net cash</b>	<b>4.242.266</b>	<b>8,120,058</b>
<b>Investments activities:</b>		
Payments for subsidiary purchase, +/- cash	(9.504.189)	79,279
Payments for participating interests	(861.218)	(4,027,500)
Loans to related entities	(184.889)	-
Goodwill purchased	-	(5,450,000)
Tangible and intangible asset purchased	(1.616.655)	(957,637)
Other investments in financial assets	(2.015.800)	(291,580)
Proceeds from other financial investments	7.829.183	-
Dividends received	670.082	-
Interests received	361.330	130,897
<b>Investment activities-generated net cash</b>	<b>(5.322.157)</b>	<b>(10,516,541)</b>
<b>Financing activities:</b>		
Share issuances	10.412.024	8,851,720
Share redemptions	66.096	(949,483)
Bank Loans drawings	-	6,110,872
Bank loan repayments	(1.935.123)	(2,700,000)
Bond issuance reimbursement	(4,500,000)	-
Leasing debt payments	(1.261.365)	(1,607,641)
Paid interest	(3.130.282)	(3,200,475)
Dividends paid to non-controlling interests	(39.267)	(59,972)
<b>Financing activities-generated net cash</b>	<b>(387.917)</b>	<b>6,445,020</b>
<b>Net increase in cash and equivalents</b>	<b>(1.467.808)</b>	<b>4,048,537</b>
Cash and equivalents at the beginning of the financial year	24.872.655	20,824,117
<b>Cash and equivalents at the end of the financial year</b>	<b>23.404.847</b>	<b>24,872,654</b>

**BITTNET SYSTEMS SA**  
**CONSOLIDATED PRELIMINARY UNAUDITED FINANCIAL STATEMENT**

For fiscal year 2021  
(all values in RON unless otherwise specified)

**CONSOLIDATED STATEMENT IN EQUITY CHANGES**

	Share capital	Issuance premium	Other equity items	Legal reserve	Previous reported result	Total Capital for Parent company	Non-controlling interests	Total equity
<b>31 dec 2019</b>	<b>11,620,321</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	-	-	-	-	895,127	895,127	129,907	1,025,034
Other items of the overall result	-	-	-	-	-	-	-	-
<b>Total Result</b>	-	-	-	-	<b>895,127</b>	<b>895,127</b>	<b>129,907</b>	<b>1,025,034</b>
<i>Transactions with shareholders</i>								
Share capital increase	14,822,819	25,409,964	(22,587,641)	-	(3,092,905)	14,552,236	-	14,552,236
Stock Option Plan benefits			1,574,721			1,574,721	-	1,574,721
Non-controlling interests	-	-	-	-	-	-	10,440	10,440
Dividends					149,842	149,842	(209,814)	(59,972)
Legal reserve distribution				116,792	(116,792)	-	-	-
<b>31 dec 2020</b>	<b>26,443,139</b>	<b>25,409,965</b>	<b>(19,893,997)</b>	<b>468,943</b>	<b>(5,036,978)</b>	<b>27,391,072</b>	<b>255,237</b>	<b>27,646,309</b>
Net profit	-	-	-	-	13,700,235	895,127	724,245	14,424,480
Other items of the overall result	-	-	-	-	-	-	-	-
<b>Total Result</b>	-	-	-	-	<b>13,700,235</b>	<b>895,127</b>	<b>724,245</b>	<b>14,424,480</b>
<i>Transactions with shareholders</i>								
Share capital increase	21,600,551	(10,867,013)	(321,515)	-	-	10,412,024	-	10,412,024
Stock Option Plan benefits			1,066,911		-	1,066,911	-	1,066,911
Stock Option Plan implement	-	-	66,096	-		66,096		66,096
Non-controlling interests	-	-	-	78,675	(78,675)		1,672,808	1,672,808
Dividends				-	82,284	82,284	(121,550)	(39,266)
Legal reserve distribution				243,186	(243,186)	-	-	-
<b>31 dec 2021</b>	<b>48,043,690</b>	<b>14,542,953</b>	<b>(19,893,997)</b>	<b>773,854</b>	<b>(5,036,978)</b>	<b>27,391,072</b>	<b>2,530,740</b>	<b>52,249,364</b>