

Semiannual report - 1st Half of 2019

Semiannual report according to ASF Regulation nr. 5/2018 on the issuers of financial instruments and market operations

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Message from the CEO

As every year, I begin this letter by thanking all the individual and institutional investors who believed in the Bittnet project, for their trust. Since listing in April 2015, hundreds of new shareholders gave us their vote of confidence in our development plans. As of June 30, 2019, we have over 1.000 shareholders and more than 500 bondholders – an impressive milestone for a company that received not so long ago, in 2012, its first external investment, from business angel Razvan Capatina, who remains a significant investor in Bittnet to date. Since the listing, the company's valuation has increased more than 20 times: from 7 million lei at the time of listing, to estimated 150 million lei, where we are today.

Reaching market capitalization of 100 million lei on May 16th was without a doubt a major milestone for the whole Bittnet Group. We have witnessed an increased trading activity with BNET stocks since the beginning of the year, having almost doubled the number of shareholders compared to last year. We believe that these two accomplishments convey the message that the model we have shown in the last 4 years, and also the plans we have communicated, are well appreciated by the Romanian capital market and its participants.

One of the big, existential questions we had back in 2014 when we were deciding whether or not to list on AeRO, was the general opinion that the local investors are only looking for stable companies, ideally defensive stocks, with easily predictable financial results and generous dividend policies. There were no proofs or guarantees at the time that a real SME market could work in Romania but believing in the potential, we decided to make a bet and float on AeRO. Looking back, there was no other option that could have brought us even close to where we are today. The story of Bittnet is one of accelerated growth, where we managed in 4 years to raise over 10 million euro from the local investors, growing our business from 8 million lei turnover to more than 120 million lei that we target to reach this year, in 2019. This is why like at every single event we have attended in the past year, I would like to underline – ***the Romanian capital market does work for local small, dynamic, entrepreneurial companies.***

Bill Gates once said that people overestimate what can be done in a year and underestimate what can be done in ten years. The fact that such a large number of investors joined us during 2019 gives us confidence that there are more people who are looking long term to the story and the growth project that we have adopted, increasing our confidence in the direction taken. For that trust, we would like to thank you on behalf of all our team.

Moving onto how our business have evolved in the first half of 2019. Last year's key project was the transformation of Bittnet from a company with two lines of business (IT training and IT&C integration) into a group of companies with two traditional areas of activity: education and technology, a process, which we consider has been successful. As a logical continuation, 2019 started as a consolidation of activity operational following multiple acquisitions in 2018. The "Elian" and "Equatorial" projects evolve well independently, benefiting from the association with the Bittnet Group and our focus has been on integrating the Crescendo team into Bittnet family, a process which begun officially on December 31st, 2018 with the transfer of assets and team members from Crescendo International into Dendrio Solutions.

The first 6 months of 2019 were thus marked by this project. In order to accommodate the significant increase in new team-members, we expanded our office space, created a co-working space in which all employees and collaborators of the companies from Bittnet Group can interact, learn from each other as well as can welcome clients, organize business meetings or hold presentations. All these processes, even though they sound pretty straightforward, occupied the first 2 months of this year and required some

increased attention from the team members and management. The second step in the process, that is the integration and consolidation of the most relevant multi-cloud service provider, which Dendrio aspires to become, is a project in progress, which we will continue to work on and we will pay maximum attention to also throughout the second half of the year.

Our “bet” on Dendrio fits perfectly the vision, strategy and operational model of Bittnet, which we have described in the shareholder manual, available here: <https://investors.bittnet.ro/ro/manualul-actionarului-2/>. We strongly believe that our type of business, that is IT, works best on a larger scale. We also believe that the global consolidation trend, visible in all sectors, not just in IT, is a relevant one, which we must follow as well as promote. Lastly, we also have to recognize two major social trends, of “gig economy” and “commoditizing” everything. Taking into account all these considerations, we come up with a clear path for Bittnet Group for the future – we must become a large and flexible platform, where both suppliers and customers can find the best partner(s), relevant to their needs.

We have thus identified the following individual needs of all the actors involved in our business cycle:

- In the case of **suppliers**, if we talk about the big global IT producers, it will be relevant for them to have a partner with a good understanding of the markets of activity, a partner that will be close to the final customer through a large number of sales and pre-sales consulting partnerships, but also through the "delivery" team which is numerous and very well prepared;
- For our **sales force partners**, we believe it is relevant to provide them with high quality partnerships with major global technology manufacturers as well as a strong ability to deliver the promises made to the end customers. In this way, our channel of sales partner can offer their customers relevant products of quality, without fear or limitations imposed by the producer and simply based on our capabilities.
- For our **knowledge providers**, that is the delivery and consulting team, it is important to offer them access to the latest technologies, to variety of clients and projects of different dimensions, which offer them new challenges, but also leave them flexibility to choose their own projects, to always decide on their own how to strike a balance between professional and personal life (when and how much to work, what projects to carry out and which projects to refuse);
- Last but not least, for **clients** we think it is relevant to be able to offer quality products and services, a close presence and "to be there when he needs us", to accompany them on their journey, eliminating the worries and problems related to technology. We believe that it is important for us to be a smart and friendly guide to help clients focus on their own business, benefiting from the most relevant technologies, at a fair price, consumed under a 'pay per use' regime, and with support subscriptions with Relevant 'SLAs'.

From the point of view of the internal organization of the operations, we believe that the reverse approach is correct: small teams, control and "local" responsibility as well as empowering the team members so that they are aligned with the organizational objectives, and are able to lead the processes on their own, not needing to always wait for guidance "from above". In the past years we have (proudly) operated under the “one single organization” paradigm but, in order to adapt to the growing size of the team, we are adjusting this model. Thus, while we continue to use across the whole Bittnet Group the same set of IT tools, the same set of internal services (operations, HR, financial, technical), we have almost completely separated the two main business lines – the training (represented by Bittnet Training and Equatorial) and the IT&C integration (which includes Dendrio and Elian). You can read more about this structure and what exact services each of these companies deliver, in Chapter 3 called “General Information about the issuer”, which we recently updated.

In this sense, the sales activity was separated from the beginning of 2019 (as opposed to the previous years when we had a joint sales team for Bittnet and Dendrio), and the sales team members opted for only one of the service portfolios. This transition has been completed since the first quarter of 2019 and it brought the first positive results in the middle of the year. The current sales force is dedicated to each individual brand, an action that favours increasing the degree of specialization in the services and solutions marketed, but also the time spent with each individual customer. We believe that a more proactive approach to customers will allow us to grow and diversify business volumes with each and every one of them.

Also at the level of the Bittnet Training and Dendrio sales teams, “key account” and “inside sales” structures were created to separate the clients whom we have identified as high potential and where we act proactively based on a planning process, from the customers where the volume estimated sales for the current year is lower and where we will focus mainly on being ready to meet their needs.

In addition, each of the two business lines, education and technology, has different objectives and plans for independent development, without being linked to the objectives of the other line of activity. In this way, each of the two lines can grow faster, in the directions considered relevant, in the most agile manner.

About Bittnet

Despite our efforts to migrate the entire IT&C integration activity of the Group to Dendrio, having to choose between giving up customers who insist on not modifying existing commercial contracts, or continuing to offer integration services under the umbrella of Bittnet, we have chosen to we continue to work with our clients and maintain our migration efforts.

Thus, the Bittnet results of H1 2019 still include a part of turnover from the 'IT&C integration' line of business; 5.2 million lei of goods (3.4 million in equipment and 1.8 million lei in software licenses) and 2.4 million lei in services. These figures are up 2.2 million lei from the previous year - which shows that the decision not to refuse old customers was a correct one.

The services in the line of business "IT&C integration" had the value of 2.4 million lei, almost the same as the 2.5 million in H1 2018, on the other hand in the IT training activity, the sales from H1 2019 increased by 78% compared to H1 2018, exceeding the amount of 5 million lei by June 30, 2019.

These results have generated a significant increase on Bittnet’s profitability: EBITDA recorded the value of 1.2 million lei, from a minus of 370K lei in H1 2018. As we showed in the annual report for 2018 and in the GMS meeting of April 2019, if in the past measuring profitability through EBITDA was not helpful for our company, in the financial years 2019-2023 this indicator becomes more relevant because interest and depreciation expenses will record significant values, which will change the image between the operational and final results.

This situation further supports our intentions to increase the equity of the company, in order to change the financing structure. Even in the case of gross profit, in the case of Bittnet, H1 2019 brought a significant positive evolution, from a loss of 1 million lei in H1 2018 to an insignificant loss, of 70K lei in H1 2019. Combining these figures with the cyclicity of the business , which has always generated better results in S2, we are confident that Bittnet activity is on a very good path.

In case of Bittnet Training, the primary focus is the continuous transformation of the product portfolio. In 2018, we successfully implemented an *on-the-go* migration to a portfolio more oriented on DevOps, which started to bear fruit in 2019. As a result, the bestselling courses in H1 2019 were not even yet in our portfolio in H1 2018!

About Dendrio

The first signs that the "bet" on Dendrio works are provided by the accelerated increase of the turnover: from 11 million lei in H1 2018 to 25 million lei in H1 2019. We must take into account that the integration activity has even better results, because a the turnover of over 7.5 million lei of "IT&C integration" type was registered by the Bittnet. On the other hand, the 140% increase in sales of IT solutions was accompanied by a 200% increase in their cost (essentially we sold cheaper as a percentage), so that the gross margin generated decreased by 485K lei, and the services attached to the integration projects delivered in the first semester increased by only 15% (up to 1.5 million lei), insufficient to fully compensate for this decrease. The profitability of the projects (in the sense of the gross margin) is an indicator that we will follow with even more attention in H2, with the first semester of 2019 recording atypically low values from a historical point of view (8% in H1 2019 vs over 10% as historical average).

The S1 2019 results of Dendrio were impacted by the transfer of the significant IT&C division of Crescendo International to Bittnet. In practice, this meant that in S1 2019 we have had two quarters of costs (Q1 and Q2) but only one quarter of revenues and profits (Q2), which was not enough to bring the company to profitability.

In the case of Dendrio, we observe in real life the well-known business model called "J-curve". This model shows that certain investments work well only after a certain initial period, when things seem to get worse. Dendrio, due to the fact that we had to integrate two teams with different cultures, namely that of Dendrio (former Gecad) with former Crescendo team, fits perfectly that model. This is additionally strengthened by the seasonality of the IT&C integration business, where most results are being brought in the last, fourth quarter of each year. We have also witnessed this situation in the past years at Bittnet, prior to our M&A activity, when the IT integration activity had the highest share of revenues, thus 'skewing' the results of the entire company and the training business line. In conclusion, it is important to underline that Dendrio project is one that needs patient capital and, of course, constant monitoring of its evolution. In order to meet that the primary objective, of ensuring integration, Dendrio is working in 'mixed' teams, where there are members of both former Dendrio and former Crescendo teams, often with co-managers.

With the investment in Crescendo's IT&C business, we have doubled our team of experienced professionals. This in turn allows us to address "enterprise" type of accounts, which require more complex solutions and services, targeting higher value projects. This is seen in the accelerated increase of 'revenue per customer' in H1 2019 compared to H1 2018.

Due to the imbalance between revenues and expenses due to the operations of relocation, integration, etc., we do not consider these results representative for the future prospects of the project. The results from the end of the year will be important, because then the effects of the measures we have applied will be felt. Dendrio project, especially in the sense of consolidating the Crescendo investment, is one that we are confident that it will bring great results in the 5 years for which we obtained the approval of the investment case from the shareholders.

About ELIAN

Elian's financial results are almost identical to those of same period of last year, the difference being counted in tens of thousands lei. This is a remarkable thing, considering that in H1 2019, the activity was temporarily interrupted with the move to the new headquarters of the Bittnet Group.

The products and services offered by Elian allowed us to initiate new collaborations, to start relationships with new customers, in line with what we were hoping for at the time of the investment. We need to

exploit this opportunity, namely the access to top management through ERP solutions to more extensively, in order to intensify cross-selling within the group. Companies such as Tanex (major manufacturer of clothing for global brands such as Massimo Dutti), Railing Design (distributor of fastening systems) or Chopstix restaurant chain have become customers of the group due to Elian's products.

As we mentioned in the development plans, starting from H1 2019, all of Elian's new implementations are based on the Microsoft Dynamics 365 Business Central platform, allowing us to be first movers with this new cloud-based technology wave. 5 new colleagues joined the Elian team (3 as a result of the turnover of personnel and 2 as a result of the extension of the support services - those generating recurring revenues).

About Equatorial

Equatorial's biggest achievement in this first semester is related to two important dimensions for our business: new customers and cost optimization. We have managed to sign two long-term training contracts with Oracle and Garanti Bank.

Another development which we envisage is to be even closer to our clients, by offering them an online platform, which will help them manage their IT needs in an integrated and unitary manner. Thus, in Q3 2019, we plan to launch a "learning as a service" platform, which will allow our clients to choose "training paths" for their team members. Additionally, the platform will allow the clients to request budgets and/or to access them automatically, after they were made available by HR and approved by the team managers, essentially eliminating the headache of organizing training sessions. The automatization of the processes will be to the maximum, thus enabling us to focus on what is the most important - delivering high quality trainings, rather than managing the bureaucracies. This platform will serve the entire Bittnet Group (not just Equatorial) - being already proposed by the Bittnet sales team to the traditional clients of the Group.

In the Equatorial business, we developed two new learning games, process that required a sustained design effort. White Hat is a 3D freemium game dedicated to IT specialists that will help them maintain both a high level of knowledge and preparation for professional certifications. Initial discussions with technology vendors like Microsoft and UiPath made us confident in the long-term success of this product. Oligopoly is a business game now dedicated to managers and entrepreneurs who want to develop skills related to skills essential to business success such as: decision making, sales and marketing strategy and people management. Both games have a strong component of "social learning" and "community building", these two elements being two of the trends of modern learning today.

There are two other important aspects which we want to cover in this letter - these are potential acquisitions as well as operations related to capital markets.

As it was mentioned already a few times in this letter, we are 100% focused on integrating the activity of Dendrio and allocating the maximum attention and managerial resources in order to keep growing this investment. For this reason, we do not see a high probability in realizing another M&A project in 2019. This could only be changed in one of the following two situations: if it is a very small project, "bolt-on" for one of business lines, where we can build a mutually advantageous solution in a very short term and with minimalist financial effort; or, alternatively, in the case of a 'giant' transaction for our current size, which would mean that the new M&A project would allow us to at least double our business. In the absence of such opportunities, which we do not seek them proactively, but will address if they are presented to us, we do not expect to carry out other M&A projects during 2019.

In contrast, the activity on the capital market is expected to be as intense in the second half of the year as in the first, following the pattern of previous years. At the Inauguration of Stock Exchange Year 2019 Gala we have joked that in 2019, we are aiming for yet another award from BVB in the 'Most active company on the capital market' category. This, of course, is not an objective in itself but rather a continuation of the model we undertook when we began our journey on BVB. Thus, we aim to continue to fully capitalize the profits and issue share premiums to investors. So far in the first half of 2019, we made 3 capital increases, one of them, with contributions, being started at the end of 2018. Additionally, we implemented, for the first time for Romania, the incentive plan for key personnel, called SOP2016 (since it was approved in 2016), as well as we carried out the operation of capital increase with free shares, in proportion of 1:1. These shares were loaded to our shareholders' accounts on July 9th, 2019.

I would like to focus a little on key incentive plan, the so-called Stock Option Plan (SOP), not because we were the first ones to implement it in this novel form which did not require buying back shares from the market, but because I would like to explain exactly the mechanism as well as bring back some of the reasons and motivations we had behind this ideas.

Coming, once again, back to our analysis of whether to or not to list, from back in 2014, one of the big pluses of the idea was the option of rewarding our Colleagues, through a Stock Option Plan, but in a slightly different understanding than the kind of SOP we so far saw in Romania. The American SOP concept and mechanism aligns the interests of the people who "work" (allocate time) for the company with the interests of the people who "invest" (allocate capital) to the company. Traditionally, in socialist economic theories, seen even recently through the world, both in Europe and also the USA, the "work" and "capital" are seen as two antagonistic production factors, which can be witnessed in the so-called zero-sum game. "Capital" is enriched by robbing "work", thus producing and perpetuating inequality. Under this vision, it is necessary for "work" to be organized in unions and to fight, in order to take back from "capital" the value that the labour produces.

At Bittnet, perhaps due to our entrepreneurial experience or the fact that we have benefitted from an angel investment relatively early on, we always considered that everybody who contributes to the success of the business, is a partner in our success story and should be rewarded by receiving in turn what is important to him/her. Often in case "work", the important objective is stability, security, and for this reason most people are willing to give up wealth. On the other hand, by definition, for "capital", the goal is its continuous multiplication, and in return, a degree of uncertainty is accepted.

We believe that only if all the actors involved in our story have common goals and enjoy the results produced by the company (actually, in our case, the group of companies), only then we can "run" quietly to the objectives, without the need for a complex control structure. In practice, this can be best understood by the following analogy – there is no rulebook or contract good enough to sign with partners you don't trust, and analogically, you do not need any rules when you share the same values and the final objectives are aligned. Over the years we have managed to put this concept into practice by applying the **"we share what we have"** rule, which means that we share our results in such a way that everybody is treated equal and all are equipped to achieve their goals, without putting sacrificing some, for the benefit of others. Thus, if everything works well, it benefits everyone equally; if it runs worse, then still nobody is disadvantaged because everybody has equal access to information and can make well-informed decisions for themselves.

This philosophy is applied starting from the sales team and the way in which we are rewarding their successes, through the manner in which we collaborate with the key resources, managers, advisory board members and our business partners. In this regard, the listing on the stock exchange has provided us with an extraordinary mechanism to implement this philosophy, namely the Stock Option Plan. SOPs can be of

course also implemented in unlisted companies, but the lack of liquidity for shares combined with the small percentages that can be allocated to specific individuals makes the employees or key individuals in closed companies rather unable to feel the real advantage of such a plan. In case of listed companies, the mechanism automatically aligns the interests of the two antagonistic production factors. Thus, the key persons who deliver the "work" receive the right, but not the obligation to buy shares of the company at a point in the future, at the present price. In other words, the "capital" providers accept to dilute and diminish their proportion of ownership of a much more valuable company in the future, in exchange for the fact that the ones who "work" take part in the risk. On the other hand, those who deliver "work" accept the risk of failure (in case they receive nothing of value) in exchange for the right to enjoy a smaller part of the bigger gain.

In the case of Bittnet, the shareholders have approved each year, that is in 2016, 2017, 2018 and 2019, an incentive plan with options, with individual durations of 2 years, so that there is time for the results of the work to show and the capital to react, thus rewarding those who directly contributed to Bittnet's positive evolution both as a business, and as a listed company. So far both SOP2016 and SOP2017 were successful, with the key employees producing positive results for the company and the shareholders and having them rewarded for this. In practical terms this means an increase of the capitalization of RON 5,7 million in the case of SOP2016 and of (estimated) 7,5 million in the case of SOP2017.

The delivery of these incentive plans can only be done in one of two ways: by having the company repurchase shares from the market, in order to transfer them to option holders, or by increasing the share capital by issuing new shares. The second option obviously dilutes the percentages held by the shareholders - those who in fact approve this operation. On the other side, the repurchasing solution is one that actually destroys the relevance of the SOP product by effectively decapitalizing the company since in order to buy the shares from the market, the company pays needs to cash, resulting in a cash outflow. Additionally, at the same time, this approach marks a loss in the profit and loss account, as the company buys 'expensive' shares on the market, which are at the highest price at present, and sells them 'cheaply', at the lowest price from the past.

In contrast, the solution voted by shareholders at each of the GSMs held in 2016, 2017, 2018 and 2019, was the one in which the holders of options, the key employees, receive shares directly, as a result of a capital increase in which the other shareholders do not participate. Due to the legislative constraints, these SOP-purposed capital increases must be done through issuing shares at the highest price of 3 values, in the case of Bittnet, being realized at the average market price of the last 12 months. In this way, all the actors involved win: the initial shareholders by increasing the value of the company, the holders of options because they have a variable bonus that theoretically has an infinite maximum value (so they can profit much more if the company does well) and the company is not decapitalized and does not record losses by having additional costs. On top of this, the shareholders who do not participate in the increase are not harmed since the shares being issued at the market price.

In the first semester we managed to complete the process for SOP2016, which brought an increase of the subscribed capital with the amount of 347K lei and of the share premiums (of which we will distribute free shares to all shareholders in 2020) in the amount of 3,5 million lei. Also, in May 2019, SOP2017 matured, and it was implemented faster, with the Administrator deciding on August 8th to increase the share capital with the amount of 4 million lei representing 573K lei of share capital and 3,5 million lei of share premium.

In the course of 2018, during the process of expansion through acquisitions, we "stretched" the arm of borrowed capital, which raised as a topic of discussion between investors regarding Bittnet's degree of

indebtedness. In the course of 2019, and for 2020, we have decided to strengthen our financial position in order to address these potential concerns. In this sense we proposed, and in majority already realized:

- the full capitalization of the profits of the previous years as well as of the share premiums, by granting free shares in 1:1 proportion;
- the capital increase through SOP2016. Please note that the afferent amount was in 2018FY financial results figuring as debt while after finalizing it, it appears as capital;
- we repaid earlier, in February 2019, the BNET19 bonds;
- shareholders approved for this year a capital increase with new contributions, with 11 million shares, and a return for investors equal to 25%.

Also, the completion in August 2019 of the SOP2017 generated a new capital increase, of over 4 million lei. In total, during 2019 (until the date of publication of this report) we reduced the debt by RON 4,5 million, and we increased the capital by RON 13,5 million lei, and the capital increase operation with contributions is expected to attract almost 12 million lei, that is if the market price at the time of the increase will be equal to 1.33 lei, as it currently is at the date of publication of this report.

This capital increase operation, for which the preference rights have been charged to the shareholders' accounts in July, will most likely be carried out in the fourth quarter, similar to the previous years. Taking into account the interest expressed by the shareholders, we decided to start the procedures in order to approve the prospectus of increase independent of the plan to move to the BVB's Main Market, so that the increase would not be delayed by that project.

Why do we talk about a potential delay? The migration process to the Main Market has 3 major components. So far, we have finalized the first one, that is the preparation of new versions of company documents (such as constitutive act, regulations, etc.) in line with the rules and regulations applicable to Main Markets issuers. These changes also include the migration from the sole administrator model to the fully-fledged Board of Directors. These documents will be subject to the GSM's approval and will be voted in the same session with approval to move to the Main Market.

The second requirement is the publication and the audit of the financial results in the IFRS format, for past 3 years. This has proven to be challenging since we have frankly underestimated the difficulty of finding an audit partners that offers both: fast process and acceptable price. Once we solve this aspect than it will remain the last step, which will be the process of obtaining the ASF (Romanian Financial Supervisory Authority) approval on the prospect for admission to trading on BVB's Main Market.

At the time of the publication of this report, the search for an auditor who checks both of the above boxes continues since we still would like to meet the deadline that we have previously mentioned in the market, namely to float on BVB's Main Market by the end of this year. Nonetheless, our goal above all others is for this transfer not to significantly impact, in a negative way, our financial results by making the costs too large to handle. Our goal has always been on choosing what is best for our company and while we do know that we will eventually transfer to the Main Market, be it on short- (by the end of 2019) or medium- (by the end of 2020) term, our responsibility towards the shareholders is to, first and foremost, to deliver the good results and growth that our investors expect. Therefore, there is a probability that the process of transferring to the Main Market will pro-long into 2020. In the meantime, we look with confidence towards the second half of fiscal year 2019 in the sense of achieving the bold operational and financial goals we have proposed to our shareholders at the beginning of this year and yet again we are confident that we will be able to realize them, just like it was the case in the previous years.

We invite you to consult the results presented in the following pages and we encourage you to send us your feedback on the report, the evolution of the company or our future plans. In accordance with our policy of openness and dialogue with shareholders, we take the investor's opinion seriously and it is always welcome. Thus, please feel free to contact us at investors@bittnet.ro. I also use this opportunity to invite you to visit (if you haven't already done so) our new investor relation website, which we have launched in June this year, which is available at your disposal at: <https://investors.bittnet.ro>.

Mihai Logofatu

CEO

Significant events in the first half of 2019

Business transfer operation Crescendo International SRL | January 2019

On December 31st, the business transfer of the IT&C integration activity of Crescendo International SRL to Dendrio Solutions SRL, a Bittnet company, has been formally completed. As a result thereof, starting with January 1st, 2019, Dendrio Solutions took over Crescendo International's IT&C integration business. Along with the transfer of the IT&C equipment as well as all the other assets that are needed to carry out the ongoing work, the deal also involved the transfer of 41 employees from Crescendo International to Dendrio.

Registration of share capital increase | January 2019

On January 10th, 2019 Bittnet received certificate attesting the registration of the share capital increase with 3,044,426 new shares issued as a result of the GSM resolution from April 25th, 2018. The payment date, that is the date on which the newly issued shares were available for trading, was January 14th, 2019. As a result of the transaction, Bittnet's share capital increased to RON 5,175,523.80.

Private Placement for BNET23C bonds | January 2019

On January 18th, 2019 Bittnet has successfully closed the 5th private placement of corporate bonds, 1st one from 2019. During BNET23C placement, the Company obtained RON 10,000,000 from investors. During the placement process, 100,000 nominative, dematerialized, unconvertible, unsecured corporate bonds, with a face value of 100 lei / bond, were settled through the Bucharest Stock Exchange mechanisms (POFBX market). The private placement offer run between January 14th and 18th, 2019.

BNET23C bonds have 4 years maturity, fixed interest rate of 9% per year, payable half-yearly. The capital raised during the placement was directed into working capital in order to finance the ongoing activity of Bittnet Group.

Announcement of capital increase for SOP2016 implementation | February 2019

On February 6th, 2019, the company announced its decision to raise capital in order to implement the Stock Option Plan (SOP) by issuing a number of 3,477,967 common shares, registered, dematerialized, of equal value and with a nominal value of 0,1 lei each, in the account of the option holders, key persons according to the incentive plan. Bittnet's SOP plan has been approved by the Extraordinary General Meeting of Shareholders since 28.04.2016. It was for the first time in the history of the Romanian capital market when a Stock Option Plan of a listed company was realized by raising capital and not by repurchasing shares in the market.

As a result of this operation, Bittnet's share capital increased by 347,796.70 lei, and the equity increased by an additional 3,584,392.30 lei, the issue premiums. According to SOP2016, a number of 18 persons were given the right, but not the obligation, to purchase from Bittnet shares at a price per share equivalent to a capitalization of the company of 7,800,000 lei. During the year 2018, all the 18 persons exercised this option.

BNET19 bonds call back | February 2019

On February 7th, 2019, the company informed the shareholders about the early and full redemption of the BNET19 bond issue in accordance with the Memorandum and the Decision of the Sole Administrator no. 5627 of 07.02.2019 through which the call option was exercised. The redemption price of the BNET19 bonds

was 100% of the face value and the registration date for the identification of the bondholders who benefit from the early buyback was 14.02.2019. The payment date was established on 22.02.2019 and BNET19 bonds were suspended from trading starting with 13.02.2019.

The Company's management has made the decision to call back the BNE19. bonds in order to reduce the debt ratio and increase profitability by reducing financial expenses.

Floating BNET23A bonds on ATS AeRO market | February 2019

On February 18th, 2019 BNET23A bonds floated on the ATS AeRO market of the Bucharest Stock Exchange. It was the fourth issuance of Bittnet to float on the local stock exchange, following BNET19, BNET22 and BNET23.

Recognition from the Bucharest Stock Exchange | February 2018

On February 19th, during the Inauguration of the 2019 Stock Exchange Year, in front of over 600 local and international representatives of the capital market, Bittnet has received an award in 'The issuer with the most active usage in 2018 of capital market financing opportunities' category. This special distinction, awarded by the Bucharest Stock Exchange, the Romanian market operator, was a form of recognition of the Company's active use of financing mechanisms offered by the AeRO market as well as implementation of the highest corporate governance and investor relations standards.

Extension of maturity for revolving overdraft ceiling | February 2019

On February 13th, 2019 the Company has informed the shareholders about signing of the additional act to a contract, which extended the maturity of the revolving overdraft ceiling from ProCredit Bank to 13.02.2020. The value of the overdraft remains unchanged, in the amount of RON 2,790,000.

Introduction of new VP positions | February 2019

On February 22nd, 2019, on the occasion of publishing the preliminary report, the company has announced significant changes to the executive board through the promotion of two of the Group's senior directors – Cristian Herghelegiu, CEO of Dendrio as well as Dan Berteanu, the founder of Equatorial. Cristian Herghelegiu has taken over the position of Vice-President of Bittnet Group responsible for Technology, overlooking all the activity within the group that is related to IT&C integration and other technological process. Dan Berteanu was promoted to the position of Vice-President for Education at Bittnet Group, responsible for implementing the strategy for Bittnet Training, Equatorial as well as Credis Academy.

EY Entrepreneur of the Year | February 2019

On February 22nd, Cristian and Mihai Logofatu, Bittnet Group's co-founders were recognized during the 2019 edition of EY Entrepreneur of the Year. They were awarded the 5th place in the competition.

AWSome Day 2019 | March 2019

On March 12th, Bittnet (BNET) in collaboration with Amazon Web Services organized in Bucharest the 4th edition of AWSome Day, an event dedicated to the engineers and managers from the IT&C industry interested in cloud computing technologies. The event was attended by a record amount of more than 400 local IT professionals, making it the biggest single training event organized to date by Bittnet. Majority of the participants to the event were at being at the beginning of their journey with Amazon Web Services as

the event allowed the participants to learn about the AWS technologies as well as meet with other IT professionals and exchange their experiences – both from technical as well as business perspective.

Bittnet Training is AWS's Training Partner since 2015 and is authorized deliver a wide variety of AWS courses, from the entry to advanced level, including subjects such as Systems Operations on AWS, Architecting and advanced architecting on AWS, Technical and Business Essentials, Developing on AWS, Big Data on AWS. In the course of past 4 years, over 1,000 IT professionals have attended the AWSome Day co-organized by Bittnet and Amazon Web Services in Bucharest.

Floating BNET23C bonds on ATS AeRO market | April 2019

On April 17th, 2019 BNET23C bonds floated on the ATS AeRO market of the Bucharest Stock Exchange. It was the fifth issuance of Bittnet to float on the local stock exchange, following BNET19, BNET22, BNET23, and BNET23A.

Bittnet Investor Day | April 2019

On April 17th, 2019, Bittnet organized the second edition of Bittnet Investor Day at the Company's headquarters in Bucharest. During the event, the Company managed to host estimated 85 investors, shareholders, representatives of the local capital market as well as the media. During the event, the company's management has presented the results for fiscal year 2018 as well as the strategy for 2019.

CISCO Certified Gold Partner Status Extension | January 2019

On April 19th, 2019 Bittnet received the extension of the 'CISCO Gold Certified Partner' status for 2019, after passing the audit realized by the American vendor, Cisco Systems. The audit has checked the existence of company-wide standardized processes and procedures for treating customers and projects in a unitary manner, sales competences, project management as well as technical skills for delivering and maintaining complex IT solutions as well as the way of responding to technical support tickets opened by the clients. The audit has also checked the customer satisfaction, business practices as well as the Company's capacity of integrating Hibrid IT, Cloud and Management Services solutions based on CISCO Technology. Gold Certified Partner represents the highest level of certification in relation with CISCO Systems.

General Shareholders' Meeting | April 2019

On April 24th, 2019, the General Shareholders' Meeting of the Company took place during which the shareholders have approved, among other points, the following items on the agenda:

- Capital increase of the amount of RON 5,523,320,50 by issuing 55,233,205 new shares with nominal value of RON 0,1 per share, to be distributed to shareholders at the registration date of July 8th, 2019. The allocation ration of the newly issued shares was 1 bonus share for each 1 share held;
- Increase of shared capital through new contributions (with pre-trade of the preference rights) – by offering 11,046,641 new shares. The shares shall be offered for subscription taking into consideration the following formula for premium issue [(average transaction price for last 30 days) / adjustment factor] - 0,1;
- Issuance of non-convertible bonds with a maximum value of RON 50 million;
- Incentive plan for the key personnel, a stock option plan, which offers an option to purchase share in the maximum amount of 5% of the total number of shares of the Company at a preferential price.

The full text of the decisions rendered during the General Shareholders' Meeting can be found at the following link: http://www.bvb.ro/info/Raportari/BNET/BNET_20190320190056_CR17---current-report--engl.pdf.

Capital increase for SOP2016 Implementation | May 2019

On May 10th, 2019 Bittnet received certificate attesting the registration of the share capital increase with 3,477,967 new shares issued as a result of the Stock Option Plan (SOP) operation approved by Decision no. 6 of EGSM from 28.04.2016.

The date on which the newly issued shares were available for trading, was May 13th, 2019. As a result of the transaction, Bittnet's share capital increased to RON 5,523,320.50.

Reaching RON 100 million market capitalization | May 2019

On May 16th, the company closed the trading session having overpassed RON 100 million in market capitalization. At the end of the day, Bittnet shares traded at a price of RON 1,88 and the total market capitalization was RON 103,838,425, thus reaching a historical milestone for the Group.

New IR website | June 2019

On June 1st, 2019, Bittnet has launched a new website dedicated exclusively to investor relations and managing the relationship with investors. The website can be accessed at: <https://investors.bittnet.ro/>.

Significant contract | June 2019

On June 12th, the Company has informed the shareholders about Dendrio Solutions SRL, wholly owned by Bittnet SA, signing of a significant contract with electricity distributor for software licensing. The contract had a delivery time in July 2019 and January 2020 and was in the value of EUR 1,4 million.

Registration of free shares | June 2019

On June 27th, 2018, Bittnet received certificate attesting the registration of the share capital increase with 55,233,205 free new shares issued as a result of the GSM resolution from April 24th, 2019. The registration date was established for July 8th, 2019 and the payment date, that is the date on which the newly issued

shares were available for trading, was July 9th, 2019. As a result of the transaction, Bittnet's share capital increased to RON 11,046,641.00.

Payment of BNET bond coupons | Throughout H1 2019

Throughout the first half of 2019, the Company has paid coupons on three of its bond issuances – BNET19, BNET22 BNET23. For BNET19, the 10th coupon payment was made on January 15th, 2019. For BNET22, the 6th payment coupon was made on March 15th, 2019, the payment for the 7th coupon was done on June 18th, 2019. For BNET23, the 4th coupon payment was made on May 15th, 2019.

In cases of all issues, BNET22 and BNET23, BNET23A, BNET23C the company is up-to-date with the payment of the interest to its investors.

General information about the Issuer

Bittnet was founded in 2007 by Mihai and Cristian Logofătu, both of whom are still occupying leadership positions within the company. From its early beginnings, Bittnet was focused on delivering IT training and integrated network solutions, based on the technologies of the market leaders like Cisco, Microsoft, Dell, Oracle, HP, VMware, Google, Amazon Web Services, etc.

In February 2009, the company changed its legal status into a joint-stock company (SA), following an increase of share capital, using profits generated in 2008. In 2012, the company had another capital infusion received from business angel Razvan Capatina, who still remains a significant shareholder of the company.

Since March 2015, Bittnet is listed on AeRO market of the Bucharest Stock Exchange with ticker BNET. Bittnet was the first IT company to ever list on the BVB, following an infusion of EUR 150K into the company, received from Polish fund Carpathia Capital SA in exchange for 10% stake. Since then, Bittnet has been actively using capital markets mechanisms in order to grow and develop, having already successfully placed five bonds issues, 2016, 2017, 2018 (twice) and in 2019. In almost 4 years since listing on the Bucharest Stock Exchange, Bittnet has attracted more than EUR 10 million using capital market financing mechanisms (corporate bonds, capitalization of profits, capital increases, etc.), with part of the capital being used for fueling M&A activity. Since 2016, the company has followed the patented success model of Banca Transilvania, distributing to the shareholders the accrued profits in the form of free shares, and consistently growing its share capital through the years.

In 2016, the company has created a new area of competence by introducing consultancy and cloud migration services. As a result thereof, Bittnet has launched a number client-engaging actions strictly for this range of services, targeting a new group clients, with a slightly different profile. Throughout 2017, the company continued to invest in increasing and diversifying the technical competencies specific to AWS and Azure in order to be able to respond to incoming requests.

The company's founders have always believed that the Romanian IT market needs to be strengthened and consolidated. This is why in the course of 2017 the company has identified the first opportunity to act in this direction and acquired GECAD NET from Radu Georgescu. The process of acquiring and the subsequent turnaround was a success as following the acquisition, at the end of 2017, GECAD has ended the year on profit for the first time in 3 years. In the first half of 2018, GECAD Net rebranded to Dendrio Solutions. Today, Dendrio is the only "multi-cloud" integrator in Romania, having a consolidated position as a highly certified company by the world's leading IT vendors focusing on cloud and cybersecurity.

In April 2018, Bittnet has adopted the Group structure and restructured the business, which is nowadays based on two key vectors:

- Education, which currently consists of IT training segment where Bittnet Training is a market leader.
- Technology, which will be focused on IT integration services, offering integration solutions that were previously offered by both, Bittnet and GECAD NET. This activity will have a shared products, services and solutions portfolio and a larger team that allows for bigger workload, both from technical and sales standpoint.

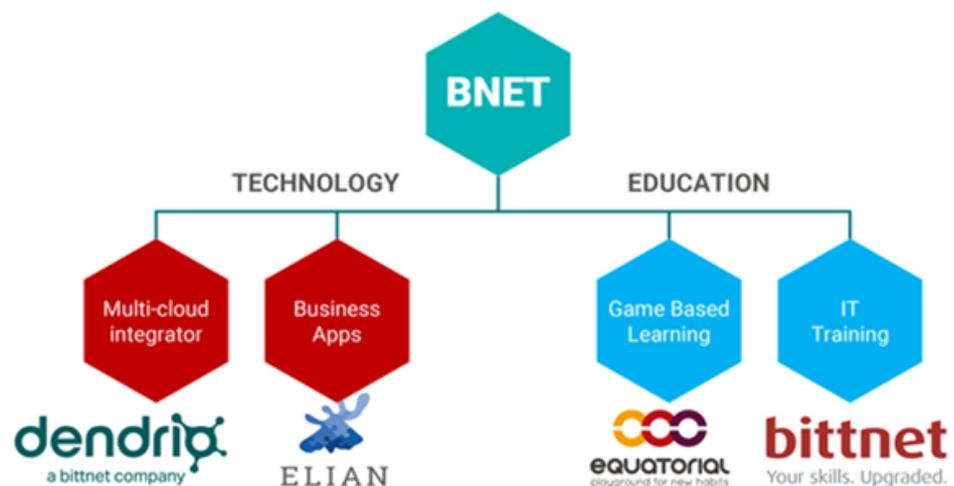
Soon after announcing the new structure, Bittnet has announced two new acquisitions – purchasing of a majority stake in ERP solution provider, Elian Solution as well as game-based learning company, Equatorial Marathon. Following the acquisition, activities of Equatorial Solutions were integrated under 'Education' division while Elian completed the IT integration services offer by adding ERP solutions to the group's

portfolio. In October 2018, Bittnet has announced that it has successfully closed negotiations for purchasing the IT&C integration activities of Crescendo International SRL, a company with 25 years of experience in Romania and foreign markets. The activities of Crescendo were integrated in Dendrio and, as a result of the merger, the company was able to benefit from a more stable business structure, extended personnel as well as enlarged portfolio of customers, products and services.

Today, Bittnet Group has two key 2 divisions, education and technology. The company has a total of 120 employees and collaborators, who work in and for one of the 5 companies included in the group.

Group Structure

Following two years of consistent acquisitions, Bittnet Group has undergone a major development – from a single company operating in two key areas of education and technology to a Group that now includes several organizations active in these two key areas of interest.



EDUCATION DIVISION, led by Dan Berteanu, Vice-President for Education at Bittnet Group

I. Bittnet Training

- Shareholding structure: mother-company, Bittnet Systems SA, which is listed on the stock exchange, which keeps at this moment the IT training activity
- Responsible: Dan Berteanu, VP of Education Bittnet Group
- Number of employees/collaborators: 20
- H1 2019 revenues¹: RON 13,026 million , 8% growth compared to H1 2018
- H1 2019 revenues from training: RON 5 million, 130% growth compared to H1 2018
- H1 2019 EBITDA: RON 1,24 million, grew with RON 1,611 million compared to H1 2018
- Website: www.bittnet.ro, <https://bittnet.training>

Bittnet Training is the IT training market leader in Romania, with approximately 20 years of experience and the largest team of trainers in Romania. Throughout the years, the company has delivered more than 50,000 hours of IT training and currently has one of the most comprehensive and updated curricula in the CEE region. The trainings offered by Bittnet enable people's access to technology by teaching IT skills, from the basic (e.g.: Microsoft Office Suite), to the most advanced (Cloud, DevOps, Cybersecurity). The business training portfolio of Bittnet includes project management, IT services management, business intelligence, CRM, ERP, Agile etc.

Bittnet is certified as a training center licensed by the world's largest technology manufacturers, offering the largest training portfolio on the Romanian market: Cisco, Microsoft, Amazon Web Services, Oracle, ITIL, Citrix, etc. Through the partnerships at European level (LLPA - the Association of the Most Important Training Centers in the World), Global Knowledge, etc. Bittnet offers a portfolio of more than 1000 official courses, thus extending the vendor portfolio with names like VMWare, IBM, RedHat, etc.

Bittnet offers a wide range of IT courses. Each course can be sustained in two flexible modes: intensive (5 days a week, 8 hours a day) or mixed format (2/4/6 hour courses, depending on customer needs). Each student gets access to dedicated equipment, official curriculum, and online and offline exams.

Having the opportunity to deliver courses both in Romanian and in English, the company operates in a strategic partnership with Global Knowledge, the global leader of the IT training market. Starting in 2016, Bittnet has joined the largest association of training partners Microsoft - LLPA.

For H2 2019 we aim to be even closer to our customers by offering them an online platform that will help them manage their IT needs in an integrated and unitary manner. Thus, in the third quarter of 2019, we plan to launch a "learning as a service" platform, which will allow our clients to choose "training paths" for their team members. In addition, the platform will allow clients to request budgets and / or access them automatically, after they have been made available by HR and approved by the team managers, essentially eliminating the headache of organizing training sessions from our client organizations. The degree of process automation will be high, thus allowing us to focus on what is most important - providing high quality trainings.

¹ Dendrio IT integration

II. Equatorial Gaming SA

- Shareholding structure: 24,9989% Bittnet SA (with option to increase until 45%); rest - founders
- Responsible: Diana Rosetka, Managing Partner
- Number of employees/collaborators: 15
- H1 2019 revenues: RON 1,500 million, an increase of 2.5 times compared to H1 2018
- H1 2019 EBITDA: RON -157k compared with RON -217k in H1 2018.
- Website: www.equatorial.ro, www.vrunners.com, www.equatorialmarathon.ro

Equatorial is specialized in designing and implementing experimental, game-based learning projects. The company designs and implements custom-made learning projects in the following areas: leadership, motivation & engagement, interpersonal relationships, communication and emotional intelligence. In 2015, the company has invented and launched Equatorial Marathon, an Alternate Reality Game for corporations, which increases the level of engagement and stimulates behavioral changes in employees. The product is available 24/7, on multiple devices and has been used for learning projects, conferences and academic masters in Romania, Poland, Italy and France. In 2018, the company launched a new learning mobile game, called VRUNNERS, which began generating financial results.

In the Equatorial business we developed two new learning games, process that required a sustained design effort. **White Hat** is a 3D freemium game dedicated to IT specialists that will help them maintain both a high level of knowledge and preparation for professional certifications. Initial discussions with technology vendors like Microsoft and UiPath made us confident in the long-term success of this product. **Oligopoly** is a business game now dedicated to managers and entrepreneurs who want to develop skills related to skills essential to business success such as: decision making, sales and marketing strategy and people management. Both games have a strong component of "social learning" and "community building", these two elements being two of the trends of modern learning today.

TECHNOLOGY DIVISION, led by Cristian Herghelegiu, Vice-President for Technology at Bittnet Group

III. Dendrio Solutions SRL

- Shareholding: 100% Bittnet Systems SA
- Key responsible: Cristian Herghelegiu, CEO
- Number of employees/collaborators: 65
- H1 2019 revenues: 25,056,000² RON, up to 140% compared to H1 2018 (Dendrio recorded this turnover in the entire fiscal year 2018!)
- H1 2019 EBITDA: RON -3,755 million, a decrease of RON 5,331 million compared to H1 2018
- Website: www.dendrio.com

The IT solutions provided by Dendrio include: general consultancy services, IT assessment services, implementation and migration services, maintenance and support services, infrastructure optimization services and IT training services. The company is the only "multi-cloud" integrator in Romania, consolidating its position as a highly certified company by the world's leading IT vendors, focusing on cloud and cybersecurity. As of December 31st, 2018, Dendrio also includes the IT&C division of the Crescendo International SRL that was acquired by Bittnet Group in Q4 2018.

Integrator business means that Dendrio offers to its clients solutions and services that they need, starting with the initial analysis, design, implementation and testing phase resulting in turnkey projects for companies with different IT needs:

- Network infrastructure (routing, switching, Wi-Fi, optimization, consulting);
- Cybersecurity (network security, datacenter security, user-device security, IPS, Advanced Malware Protection, Next Generation Firewall, security for e-mail and web);
- Network management (monitoring and alerting, centralized management, traffic analysis);
- Migration and cloud services (private, public and hybrid cloud, switching from one version to another, migration and relocation step-by-step);
- Virtualization and data center (computing, storage, networking, backup, virtualization platforms, VDI)
- Employee mobility, including Bring Your Own Device - BYOD;
- Communications and centralized collaboration (IP telephony, DECT phones, instant messaging, online presence, web conferences);
- Video conferencing, including telepresence (for desktops, offices, conference rooms, smartphones, tablets, notebooks and workstations, integration with smartboards);
- Software licenses (Microsoft, Adobe, Cisco, Bitdefender, Dell, VMware, Veeam);
- Maintenance and support services.

² Additionally to Dendrio, our group recorded revenues from IT&C integration and within the company Bittnet, worth 7.5 million RON in H1. Comparing the total revenues of the integration division between H1 2018 and H1 2019, an increase of over 50% is observed.

IV. Elian Solutions SRL

- Shareholding structure: 51.0082% Bittnet SA, rest split equally between founders
- Responsible: Iulian Motoi, CEO
- Number of employees/collaborators: 15
- H1 2019 revenues: RON 1,733,000 , a decrease of 4.4% compared to 2018
- H1 2019 net profit: RON 10.8k, decrease from RON 94k in 2018
- Website: www.elian-solutions.ro

Elian Solutions is specialized in providing implementation services for the Enterprise Resource Planning (ERP) solution, Microsoft Dynamics NAV. Elian is the only Gold Certificate partner for this solution of Microsoft in Romania. The solution implemented by Elian allows companies to know the status of their inventory, assets and liabilities as well as it helps predict, inter alia, the cash-flow and to trace the production processes. In 2018, for the first time, Elian begun providing an delivering services abroad, to customers from 4 countries: Bulgaria, Croatia, Germany and the USA

Beside the Business Central 365 solution, 3 applications have been added to the Elian portfolio, which are self-licensed:

- Application of OCR-invoicing with an extremely simple definition of new invoice templates - scanning documents and sending them to NAV;
- Fixed-media inventory application through scanning;
- Applied ClokIn / ClokOut - used by production companies to record the time spent by people in the production hall, on orders and technological flows.

All of Elian's new implementations are based on the Microsoft Dynamics 365 Business Central platform, allowing us to be first movers with this new cloud-based technology wave. 5 new colleagues joined the Elian team (3 as a result of the turnover of personnel and 2 as a result of the extension of the support services - those generating recurring revenues).

Companies such as Tanex (major manufacturer of clothing for global brands such as Massimo Dutti), Railing Design (distributor of fastening systems) or Chopstix restaurant chain have become customers of the group due to Elian's products.

Sales Activity

the specificity of each client. Thus, the clients who had previously been served by a certain member of the sales team, but who are not estimated to buy that member's current portfolio, were relocated to other colleagues, in a collaborative process.

At the same time, during H1 a significant objective for the sales team was the exchange of experience with the sales team that joined us as a result of the investment made in the Crescendo business. This activity, namely the exchange of experience, is a continuous one, because the adopted business models that the two previous organizations had (Bittnet + Dendrio and Crescendo) were complementary.

In H1, historical data from the CRM system were imported and new integrations of the CRM system with the ERP were made. The combined sales team managed to close a number of 1365 opportunities, up from 1170 in H1 2018. At the sales team level, Bittnet Group is in permanent recruitment process for sales positions for Bucharest and nearby counties. Today, Bittnet sales force includes 10 partners in Bucharest, 2

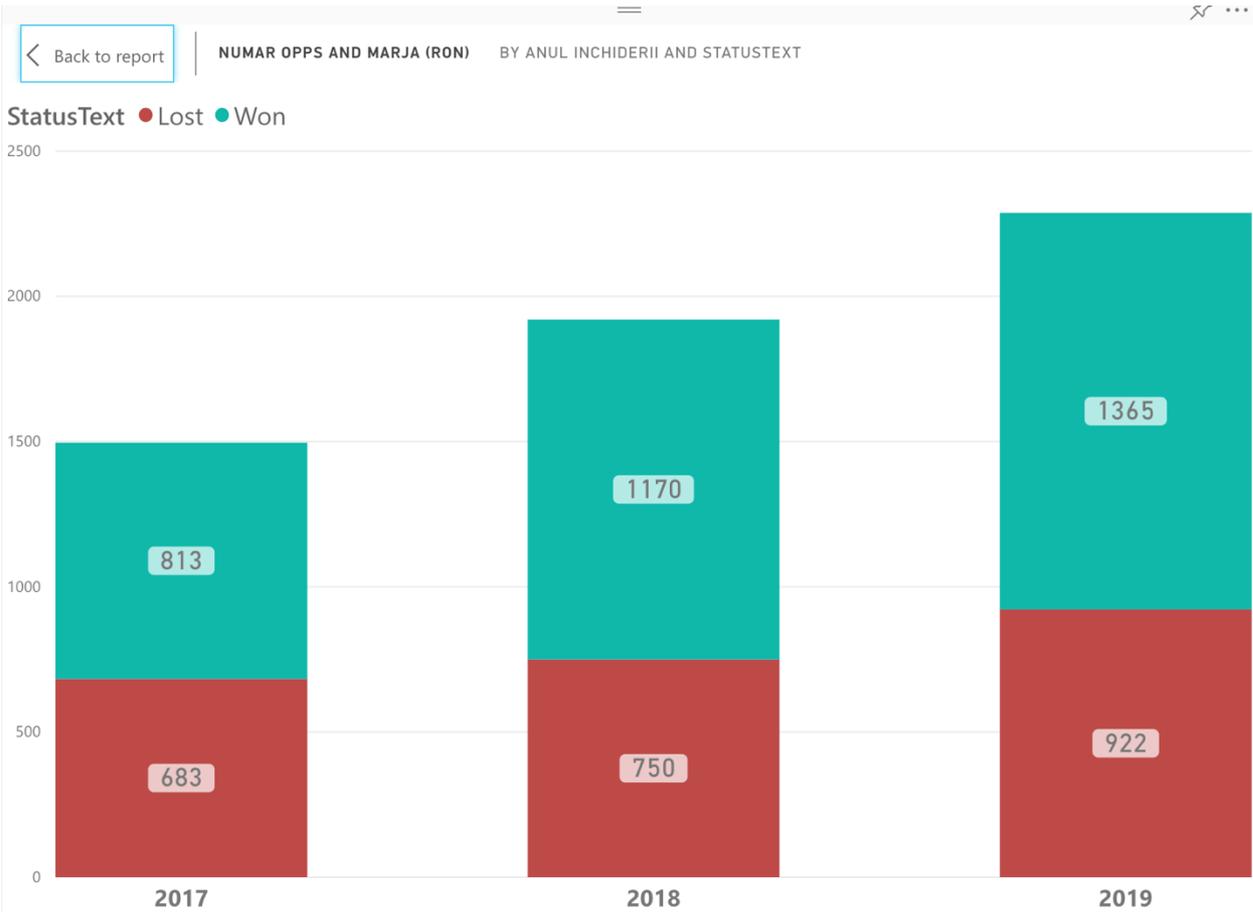
partners in Cluj, 1 partner in each of the following cities: Sibiu, Brasov, Iasi and Timisoara, as well as 1 sales manager, 5 partners for back-office support, 4 product managers.

With the modification of the group structure, with organisation per Technology and Education, we considered that we had reached the moment of separating the sales teams according to the portfolio of solutions they offer to the clients. Thus, at the end of 2018, the members of the sales force (internal or partners) were given the right to choose whether to activate only for the "Education" business line or only for the "Technology" business line. The fact that the team members had a choice, and were not randomly assigned or after the managers' decisions, is part of the organizational philosophy of our group.

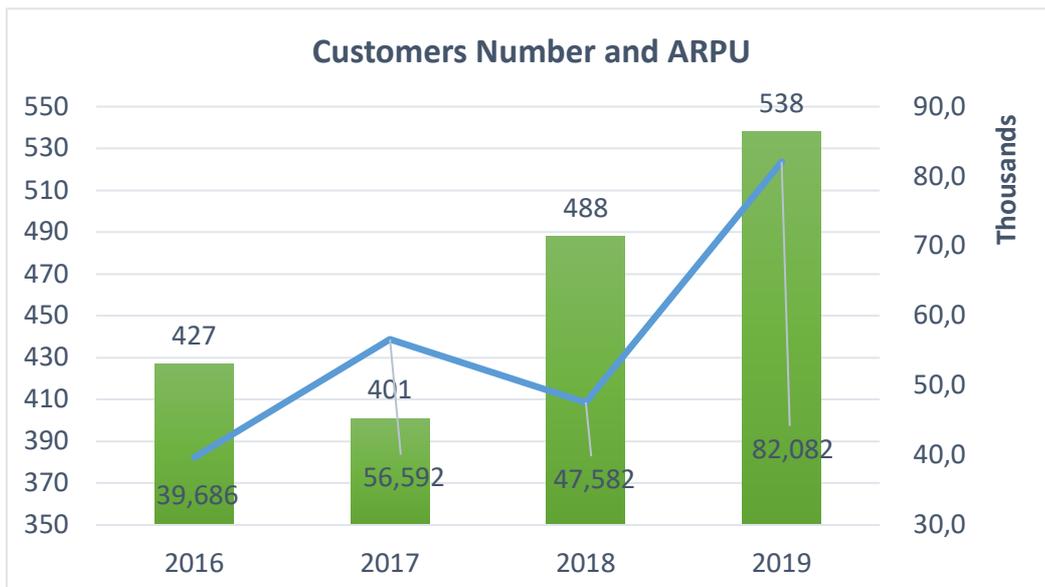
Thus, in the first half of 2019, the sales team performed an activity of 'account planning' to identify and choose the clients to be addressed in 2019, taking into account the choice made by each seller, but also



The success rate of the identified opportunities is still very high - 60%. In other words, almost 2 out of 3 opportunities identified were successfully closed, which we consider a very good conversion rate.



These increasing numbers partially represent the effect of the team's growth and a better structured and tracked needs analysis process that leads to faster identification of projects with real chances of winning, thus making time and resources more efficient. The other component of the explanation is the Dendrio partner resale channel, which generates a large number of opportunities only with 'WON' status, which positively and significantly influences this average.



The income per client has increased by more than 70% due to the increase of the value of the projects carried out in 2019.

Marketing activity

2019 has started in full process of aligning the integration activity between Dendrio and Crescendo International teams. In this regard, a series of internal communication and presentation materials for the common portfolio of integration products and services, were developed, aligning them with the brand philosophy developed for Dendrio, as well as redesigning the offices, classrooms and meetings rooms, by using graphic elements specific to the companies in the group.

Joining forces between the two teams involved many communication towards customers, vendors and all stakeholders that were involved with Dendrio and Crescendo International. At the same time, the integration of the teams at the beginning of the year has brought us into an extended formula from the point of view of the people dedicated to the marketing activities that serve the interests of the Bittnet Group and the companies within the group.

One of the results of the merging of the two IT&C integrators was the launch of a new website for Dendrio, www.dendrio.com, aligned with the brand values and focused on four technological directions: cloud, security, networking and digital&modern workplace. The implementation was done exclusively internally, through the effort of the marketing team of the Bittnet Group and with the help of the technical team. Thus, we managed to launch in a record time (half a month) a website built from scratch, which is action-oriented, has a new look, is intuitive for visitors, user-friendly and that offers relevant information about the portfolio of solutions and services. This is an online guide to the technology journey that Dendrio customers start when beginning collaboration with us.

With the significant growth of the Bittnet Group's portfolio of products and services, the structure of the companies that make it up has been defined, as it is already presented in a previous chapter. This involved carrying out dedicated marketing actions for the Bittnet Group, namely the Dendrio and Bittnet Training brands, in order to increase their awareness in the market and to become each one of their own. This delimitation between the activity carried out on each brand has led to the following actions dedicated to marketing: website for each brand, logo for each brand, slogan for each brand, pages in social media dedicated to each entity and activities in correlation with the portfolio services and with the targeted audience.

Dendrio has gone through a complex process of branding, name identification, visual identity, and a new slogan, which reads: **Your Journey. Upgraded.** This process brought us to the point where 2019 is dedicated to the activities of communication and positioning of the new brand in the local market, both in Bucharest and in the other cities in the country where we have a regional presence: Cluj, Iași, Timișoara, Brașov, Sibiu. Once this branding process was completed, it was considered a necessity to visually align to it also Bittnet Training and Bittnet Group.

The rebranding process for Bittnet Training involved redesigning the logo and associating a slogan: **Your Skills. Upgraded.**, respecting the construction used for Dendrio. They bring a fresh air to the brand and support the leading position on the IT training market in Romania. Several graphic elements have also been drawn for the course categories and a wider color palette is associated with them. In this way, Bittnet Training is anchored in the reality of today's design of branding elements.



Of course, Bittnet Group also needed to create a visual identity that is aligned with the other logos owned by the company and a slogan that defines its activity: **Your Value. Upgraded.** With the design of these branding elements, an upgrade was also required at the website level. As with the Dendrio website, the internal marketing team has created a new website dedicated to investor relations: <https://investors.bittnet.ro>. It is more visual, easier to navigate, more airy and the information thereon is better structured and more accessible.

For the structure of the site and the organization of information, we considered the guidebook on the best IR practices issued by the Bucharest Stock Exchange. Thus, we created dedicated sections to information about shares, bonds, financial calendar, consolidated results, testimonials of shareholders, etc.



The first half of 2019 meant a lot of effort in the area of brand awareness for all the companies in the portfolio, in order to position Dendrio as a leader in providing secured - hybrid - multicloud solutions and maintaining the positioning of Bittnet Training as a leader in the IT training market in Romania. We kept the website up-to-date, especially the information about IT courses we make available to our customers. We continued to assist the sales team in generating leads (new course requests) and increasing the load of the scheduled classes. The new Dendrio site helps us better describe and position our portfolio solutions and services and communicate them to the right audience.

Also in the area of brand awareness, in order to give Dendrio brand awareness and to highlight some of the solutions and services in the portfolio, we launched an online testimonial communication campaign. In this way, we have associated with the names of some clients whose brands resonate or are top of mind in the industries in which they operate and we have highlighted the business benefits that the clients have gained from implementing the technical solutions provided by Dendrio specialists.

Events

Events are an important part of Bittnet's marketing strategy because they help us keep in touch with our current and potential customers. That's why, in the first six months of the year, we organized a series of events addressed to both IT specialists as well as our shareholders and potential investors.

We continued the initiatives with which we started in 2018 and organized a new series of events dedicated to cloud technology. We were the host of an AWS TechTalks meetup, where an evangelist from the Amazon Web Services team presented the latest cloud services and products launched at the AWS **re:Invent** global event held at the end of 2018 in Las Vegas. The services and products were presented in a practical way, in a timely manner, and answers to questions from participants were provided. This initiative was just the beginning of a series of events and actions dedicated to positioning, raising awareness and adopting AWS cloud technologies.

One of the leading events in the cloud market in Romania is AWSome Day, organized and delivered by Bittnet & Dendrio teams with support and involvement from Amazon Web Services representatives. This

year we organized the 4th edition of AWSome Day, an event dedicated to engineers and managers in the IT&C industry interested in cloud computing technologies. The event was attended by an impressive number of 400 local IT professionals. AWSome Day is a regional and global initiative of Amazon Web Services, organized annually in Bucharest, together with Bittnet Training, the leader of the IT training market in Romania. Bittnet Training is the only authorized AWS training partner in Romania, while Dendrio, a Bittnet company, is a consulting partner of AWS. AWSome Day is a one-day event where AWS technical trainers in the region provide free introductory AWS cloud trainings. It is a technical program that covers fundamental AWS services, which allows participants to explore topics such as cost optimization, security and compliance, best practices and to learn from other clients' experiences.

Among the actions that support the effort to popularize the AWS cloud between the technical people operating on the Romanian market are 2 business-type brunch events, where we managed to bring to the same table customers or potential customers, respectively AWS specialists from Dendrio team and representatives of Amazon Web Services. During these meetings, case studies were discussed, the "pay as you go" model was detailed together with information on how the infrastructure can be scaled to cover only traffic peaks, how transfers and cloud data can be secured. This initiative is complemented by a series of 5 AWS webinars delivered by one of our colleagues in the technical team. During these webinars participants learned about AWS Cloud, AWS Global Infrastructure and the benefits of using AWS cloud, as well as in-depth details on AWS basic solutions.

The events dedicated to cloud solutions were also complemented by the presence at 2 roadshow events, in Cluj and Iasi, organized by Microsoft Romania where our team once again positioned itself as a specialist on Microsoft Azure cloud technologies, maintaining the status of Microsoft Gold Partner. Thus, we talked about the future of industries in the context of Digital Transformation in the presentation of Microsoft AC / DC: Azure Cloud DevOps Continuous Integration, as well as business continuity and data protection offered by the Azure cloud, in the presentation "Disaster is not a tragedy".

Because we have a multicloud approach, we also created a series of video materials dedicated to the hybrid-cloud topic, focusing on a number of Cisco products: Cloud Connect - Cloud Services Router, Cisco Stealthwatch Cloud, and expert advice from the Dendrio team for secure work environment in the cloud. These brief presentations can be found on the website www.dendrio.com and are complemented by a series of white papers that are intended to provide IT specialists with more product details and how Dendrio can come to their help.

As you can see, we have been very active in popularizing the concepts associated with the cloud, in educating the market and the people at the beginning of the process of adopting the cloud. Basically, we want to ensure a peer-to-peer dialogue with current and future customers on cloud solutions and services. All these activities brought us in front of over 500 technical persons active in the IT field.

This year we organized at the Bittnet headquarters the second edition of the Global DevOps Bootcamp 2019 event in Romania. The event took place concurrently in over 90 locations in 30 countries. The participants had the opportunity to learn new things from the top specialists, to work in a team, to interact with DevOps engineers and to compete with participants from all countries in the hackathon with which the event ended. The theme of the event was "You build it, you run ~~away~~ it!". Global DevOps Bootcamp was about DevOps on Microsoft Stack and running parts of DevOps. The event aimed to reveal the latest trends and perspectives on DevOps in modern technologies that allow specialists to launch applications in the production environment several times a day.

We also organized a workshop under the umbrella of "Workplace Transformation with Cisco Collaboration". 90% of working time involves collaboration between people, and it is the technology that connects them. Dendrio and Cisco Romania presented how technology is a medium for everyday interactions, namely through: participation in conferences, instant messaging, collaborative work for projects, file sharing and others. Three topics were discussed: the difference between the generations, the adaptation to the changes within the organization and the motivation of the employees.

Last but not least, we marked the fourth year of activity as a public company, listed on the AeRO market of the Bucharest Stock Exchange. Like last year, we opened the "doors" of the headquarters to host the second edition of Investor's Day Bittnet. We had the pleasure of meeting more than 70 people, shareholders, representatives of the capital market and of the media, to whom we presented the financial results, plans and prospects for developing the activity of the Bittnet Group.

PR and Communication Activity

In 2019, we continued the strategy to increase the awareness of the Bittnet brand and took the first steps regarding the communication of the **Dendrio** brand - in order to make the integration services in the Dendrio portfolio clearer and to position ourselves more clearly as the first IT company in Romania with security skills and multicloud services.

We continued to carry out activities to maintain the visibility of the brand in the general press and financial press in Romania. We have been active by being involved in various local and international projects dedicated to entrepreneurship and investor relations.

During the first semester of fiscal year 2019, the results of the PR activity and communication were highlighted by the appearance in the print and online media, of which we mention: Ziarul Financiar, Profit.ro, Wall-Street, Digiz4, Business Magazine, Start-up.ro and others. Also, we managed to position ourselves as an IT integrator by commenting on the phishing attack attempts that have taken place in recent months on behalf of some well-known companies on the Romanian market.

For the second half of this year, the Bittnet Group intends to continue the activities implemented so far from the PR and communication strategy to position the group companies as a provider of specific services for the integration of IT architectures (focusing on multi-cloud and computer security) and technical support services, respectively as leader of the IT training market in Romania.

Future activities

In the period until the end of 2019 we aim to bring improvements to the Bittnet Training website, to be aligned with the other websites in the portfolio, but especially with the new brand identity, the values and the slogan **Your Skills. Upgraded**. We want the experience on the site to be fast, easy and intuitive, and the clients to reach the desired information quickly and have an action-oriented experience.

We will launch a series of digital campaigns to promote Dendrio and Bittnet Training products and services, with the aim of increasing their awareness and generating new leads for the sales team.

Regarding the events, we will continue the initiatives during this year and we will organize three other events in the cloud area, both in Bucharest and in the country. At the same time, we will be part of the events of the big sellers in the market and will mark the activity of 20 years of activity for the Credis Academy.

Training activity

Compared to H1 2018, in the first half of 2019, Bittnet trained 1820 students, an increase of 92.5% in the number trained in the same period of 2018 (945). As in previous years, dedicated classes are 3 times more popular than open classes. We continuously aim to increase the number of open classes, and the degree of their load. We accelerated in H1 2019, the delivery of classes in "Live Virtual" regime, meaning that the participants attend the training session in real time, with the instructor, but not by not being actually present in the same room, but through technology.

Regarding the total of training, in 2019 Bittnet had revenues of RON 4.92 million, compared with RON 2.2 million in the same period of 2018. Thus, we registered a 123% increase in revenues for the first 6 months of the year.

As in previous years, Bittnet maintains its upward trajectory in terms of the business training unit, positioning itself even more strongly in the IT education sector through:

- Bittnet is the market leader in delivering Microsoft, Cisco, Oracle and AWS official courses.
- Improving the DevOps course portfolio which currently includes over 60 topics that the Bittnet trainers can teach. On these topics we trained 499 students in the first half of 2019, an increase of 2526.3% compared to 19 students in H1 2018.
- Separation from the integration division and focus on sales activity exclusively on training projects
- Reorganization of the training department by:
 - Creating Key Account Manager roles to handle the needs of key customers more presently and more carefully
 - Creating the roles of Inside Sales to take over and develop more actively the requirements that come through the site or the phone
 - Adding in a team a marketing specialist dedicated to the training area
 - Creating Product Manager roles with a focus on sustained growth for each vendor
- Work has started on the Training Management platform which will be dedicated to premium clients and will offer complete and integrated training planning, performance management, need analysis, reporting and evaluation solutions. Through this platform, the clients will be able to streamline the internal training process, the creation of learning paths for each participant, the evolution tracking and the ROI analysis per employee. The platform has a number of integrated elements that facilitate HR and procurement processes
- Increase the number of classes delivered in Live Virtual format, with delivery over 3 time zones, from 5 classes in H1 2018 to 49 classes in H1 2019.
- At the regional level, by joining the LLPA organization, Bittnet was part of the Enterprise Skills Initiative campaign, training in Romania over 200 participants on Azure Fundamentals, offering each participant a Microsoft certification voucher at the end of the course.

Technical team

Considering the M&A and business transfer actions from the end of 2018, the first semester of the 2019 presented a logistical / technical, but also organizational challenge for the entire technical department.

From a logistical point of view it was necessary to rethink the internal infrastructure to accommodate the new colleagues, as the overall number of employees approximately doubled. In this respect, with the expansion of the office space, the internal network serving the users of the Bittnet Group has also expanded. This location redesign project involved:

- 50% increase of the co-working area;
- Establishing and equipping 6 new meeting rooms;
- Extending the Wi-Fi network to the entire newly extended area;
- Equipping a training room with a video solution that allows the organization of blended training classes (students in the classroom, but also remote) using a Cisco solution composed of Room Kit Pro and Telepresence Precision 60;
- Increasing the number of ports / user;
- Creating a dedicated area for archiving and storing equipment;
- Internet access bands have been increased and we have optimized the costs with the 2 providers;
- A dedicated staging area was created, necessary for the pre-configuration of equipment in complex projects;
- Room-booking, control access and DVR solutions have been adapted to the new requirements.

From a technical point of view, we have completed an extensive process of unification and efficiency of the solutions used at Bittnet Group level (Microsoft Office 365 services, Microsoft CRM, ticketing, Microsoft Dynamics, etc.). Thus, we managed:

- Migration of new colleagues from Crescendo under the subscription of the Bittnet Group;
- Integration of new colleagues in specific groups in Active Directory (Operations, Technical, Presales, etc.);
- Migrate file-server and SharePoint services to the Bittnet subscription;
- Unification of the Security policy (antivirus, URL filtering).

From an organizational point of view, we focused on the integration of the former Crescendo team and the creation of new workflows, taking into account the new number of members of the two teams reunited:

- Creating a dedicated Presales department that deals with presales activities, increasing relationship with clients, reducing response time to commercial requests, proactive activities to clients.
- Organizing the Delivery team and creating a unitary development plan for all team members, in accordance with the respective directions:
 - a. Enterprise Networks;
 - b. Security;
 - c. Data Center;
 - d. Cloud;
 - e. Unified Communications;
- Unification of the on-call teams that ensure the provision of 24x7 support services to the clients of the group.
- Optimization of workflows and tools used in the support activity: increasing customer satisfaction, reducing response times, SLA placement.

- Preparation of the training team for the delivery of new courses (Cisco, AWS, Microsoft, Linux, Oracle).

As a result of these activities, we can say that today our IT infrastructure, sales team, technical team and operations team are all aligned, allowing us to enjoy economies of scale and address both customers and suppliers, with the motto "One Single Organization".

In the first half of 2019, the company continued to invest in the development of the technical team by keeping the certifications up to date and extending them. In this way, colleagues can keep up with technological advancement and be up to date with all the new information and technologies emerging in such a dynamic IT environment.

Thus, we managed to consolidate our technical experience by obtaining and completing the following technical certifications:

- Checkpoint Certified Security Associate - CCSA
- CCNA Cyber Operation
- AWS Cloud Practitioner
- AWS Solution Architect re-certification
- Implementing Cisco Secure Access Solutions - SISAS
- Designing Cisco Enterprise Networks - ENDESIGN
- Azure Administrator
- Azure Solution Architect
- Azure Security Engineer
- Azure Fundamentals
- M365 Enterprise Administrator
- M365 Modern Desktop Administrator
- M365 Messaging Administrator
- M365 Teamwork Administrator
- M365 Security Administrator

In the extended formula of the technical team we have the following individual certifications:

1. 6 x CCIE
2. 15 x CCNP;
3. 20 x CCNA;
4. 3 x MCSE
5. AWS
6. 2 x VMware VCP

From the point of view of the identity of the Bittnet technical team, we want to keep the unique specificity in the Romanian IT market, namely the responsibility for both the training projects and the IT integration ones until the support and optimization phase after implementation. The Bittnet technical team has delivered and will continue to deliver both training and integration & cloud projects.

We continued the technical initiatives with the marketing department and during the first semester of 2019 held a series of sessions to promote the services of the Bittnet Group:

- Organizing and participating as a speaker at AWSome Day;
- Registration of 6 AWS seminars;
- DevOps Bootcamp, unique event in the Romanian market;

- Presentation of Cisco Security solutions in two specific events.

These initiatives are part of the company's strategy to promote the cloud (also visible by increasing the number of projects implemented) regardless of the vendor. All these sessions were supported by vendor certified trainers, part of the Bittnet technical team.

Other landmarks for the technical department in the first part of 2019:

- Maintaining the status of Cisco Gold Partner by supporting the audit required by the seller;
- We continued the internship program during the summer where we offer the opportunity for a young person at the beginning of his career to learn from the technical specialists of our team;
- Automate the process of defining accounts for Wi-Fi access for external users by developing a bot that integrates Cisco ISE and Cisco Webex solutions;
- Implementing the Cisco Umbrella service and automatic notifications.

For the rest of 2019 we intend to strengthen the existing capabilities, as well as to develop the delivery capabilities of new technologies in the IT field:

- Artificial Intelligence Based Cybersecurity:
 - Business Solutions Security
 - Infrastructure Security
 - Multi-cloud security
 - Predictive Threat Intelligence
 - Data Loss Prevention
- Microsegmentation;
- Digital Infrastructure (SD-WAN, SD-Access, SD Storage): end-to-end programmability, understanding of the APIs made available by more and more manufacturers, levels of abstraction, maximum use of the flexibility offered by products;
- Hyperconvergent solutions;
- Digital workspace: creating innovative spaces for new ways of working;
- Robotic Process Automation.

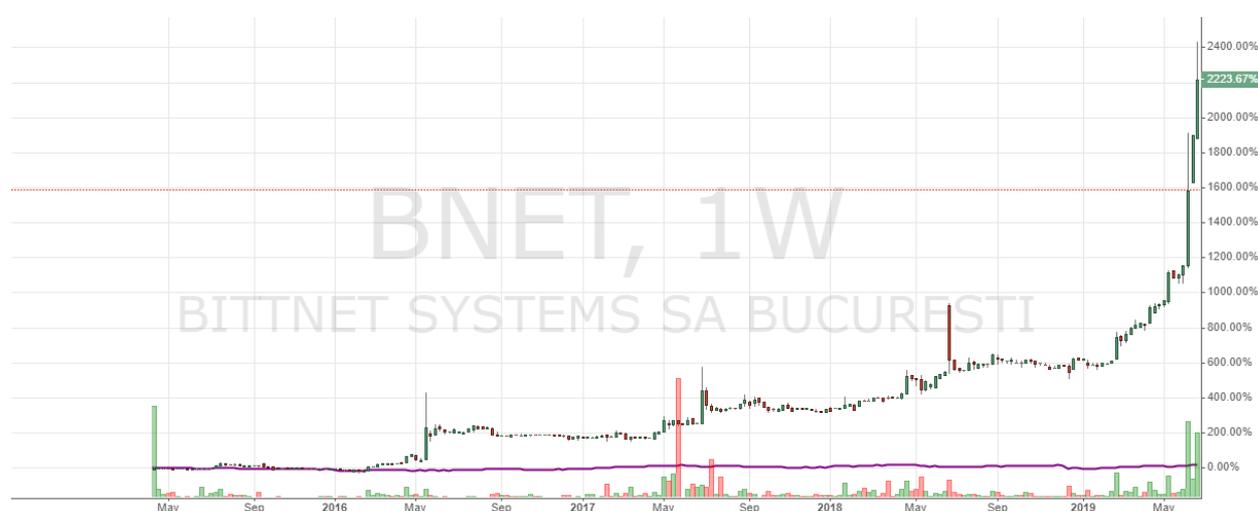
Operational Excellence

Over past years, one of the key differentiators of the Bittnet Group has been operational excellence - demonstrated by the large number of projects that can be implemented with the IT tools we have and a relatively small number of human resources in the logistics / operations department. In H1 2019, we were able to manage almost 1400 projects (20% more than last year), with the same number of resources allocated to the operational department.

Share Price

In H1 2019, the market capitalization of the company registered a significant increase, from 58 million lei, at the beginning of the year, to almost 200 million lei on June 30, when the company registered over 1000 shareholders. Also in the first half of 2019, the first process of raising the capital was completed by registering SOP2016 (the Stock Option Plan to incentivize with shares the key persons approved by the GMS of 28.04.2016). A number of 18 key persons benefited from the first incentive plan of a listed company in Romania which was realised through a capital increase rather than a buyback of shares from the market. The effect was the increase in the value of the company and a positive impact on the Bittnet treasury by avoiding the cashout needed to repurchase shares.

Stock evolution of BNET shares (June 30, 2019)



*BNET vs. BET evolution, June 30, 2018 - June 30, 2019; graphic source: Tradeville

From the point of view of the liquidity, during the analyzed period, a volume of 14,749,418 Bittnet shares was traded (2.76 times as many BNET shares as in H1 2018), with a total value of RON 23.6 million (in H1 2018 the total value of BNET transactions was RON 3.3 million). The volume of shares traded in H1 2019 represents 26.70% of the total shares of the issuer.

If in 2018 and 2017 BNET was the most traded share on the AeRO market, the liquidity registered in the first semester exceeded that of many companies on the Main Market. It is still a sign that the capital market is working!

About Bonds

Another reason why we consider the Romanian capital market to be relevant is that companies, especially those with accelerated growth, can benefit from 'patient' borrowed capital through the issuance of long-term debt obligations (3 to 5 years) as opposed to the bank lending structures which generally have maturities (repayments) at 1-2 years. At present, Bittnet is the issuer of 4 corporate bond issues, all listed on the BVB ATS-Bonds market: BNET23C, BNET23A, BNET23, BNET22. At the time of writing this report, the Issuer is on time with paying coupons.

About BNET19

BNET19 bonds issuance was repaid early and in full during the reporting period, a process which ended on 22.02.2019. The issuer followed the legal procedures and those related to the BVB Code regarding this operation, announcing the market about the intention to exercise the CALL option on 08.02.2019. With this corporate event, there was also a premiere at BVB: the first bond issue redeemed in advance by the issuer. The redemption value of the BNET19 issue also included the interest as a coupon fraction calculated for a number of days equal to the time interval from the date of payment of the last full coupon (Coupon 10 of January 2019) and until the effective payment date of the redeemed issue, that is until 22.02.2019 inclusive. The operation was in accordance with the Listing Memorandum and the activation of the call option led to the reduction of the Company's financial expenses.

From the beginning of the year until the moment of suspension from trading (13.02.2019), 344 BNET19 bonds were traded in the amount of 346,353.69 lei, that is 8.21% of the total issue.

About BNET22

The BNET22 bond issue is traded on the BVB AeRO-ATS bond market starting with November 28, 2017. Between January 1 and June 30, 2019, the Company paid coupons 6 and 7 (in March and June). In the first 6 months of the year, 65 transactions amounting to 135,590.62 lei were registered at an average daily price of 104.80 lei / bond. The number of BNET22 bonds that changed holders in the first half of 2019 was 1,298 pieces, representing 2.8% of the total issuance. The value of the BNET22 issue is 4.5 million lei and financed the first investment project of Bittnet, the acquisition of 100% stake in Gecad NET SRL.

About BNET23

In H1 2019, a number of 419 orders were made for BNET23 bonds, which which totaled a volume of 14,011 bonds, at an average price of 104% of the nominal value, which raised the total value traded to over 1.4 million lei. Most of the amounts attracted by the BNET23 issue financed, in H2 2018, the acquisition of the 51% stake in Elian Solutions and 25% in Equatorial Gaming, and the rest was used as working capital. BNET23 bonds have been trading since 28.11.2018, have a nominal value of 100 lei, maturity at 5 years and an annual interest rate of 9%, payable quarterly through the Central Depository. During the reporting period analyzed, the Company paid coupons 2 and 3 for BNET23 bonds.

About BNET23A and BNET23C

Between December 2018 - January 2019 and in the context of the most recent M&A project, namely the transfer of IT&C activity from Crescendo International, Bittnet realized the largest bond issue in its history BNET23A (9.7 million lei) and BNET23C (10 million lei). The brokers of the transaction and the mechanisms used to sell the bonds were different for the two operations (the BNET22A issue was 'placed' on the market by the investment banking division of a commercial bank, while the BNET23C was sold through an intermediary syndicate formed by SSIF Tradeville and SSIF Goldring). Both issues are due to maturity in 2023 (January and December), and the funding has been raised to purchase the Crescendo business line and to support the Bittnet Group's joint activity. The coupons are calculated according to the registers received from the Central Depository, the interest rate is 9% per year, payable half-yearly, and the nominal value for both issues is 100 lei / instrument. During the year 2019, we paid to the holders of bonds BNET23A and BNET23C the first coupon (in July 2019).

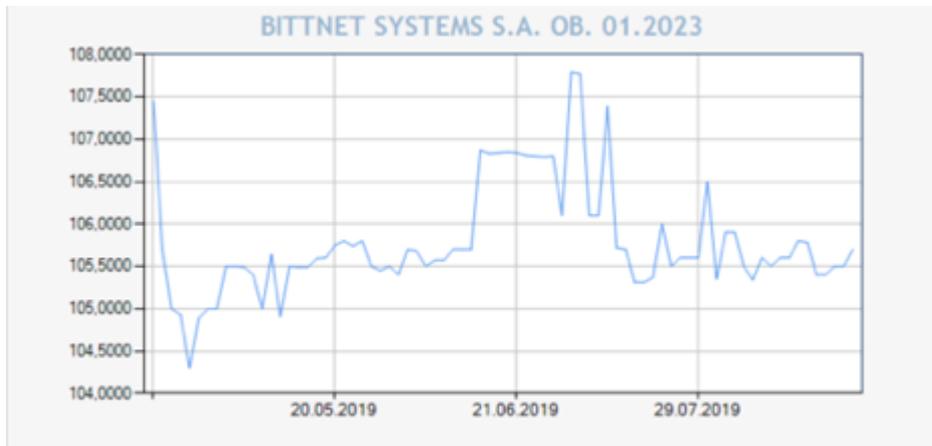
Since the listing (18.02.2019) and until now no transactions have been carried out with BNET23A bonds, which suggests that investors have chosen to buy BNET23A bonds for the annual value of the coupon (in

the context of constantly buying orders at prices that exceeded 100% of the nominal value, but did not find counterparty for sale).

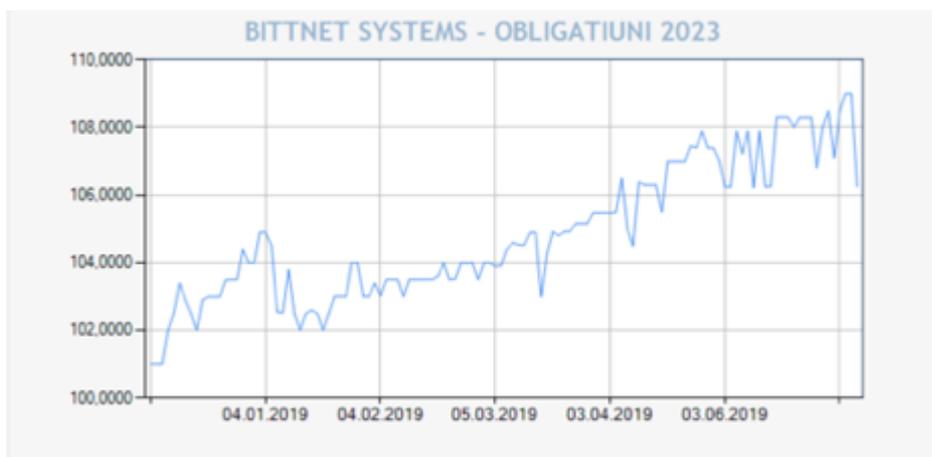
Due to the increased interest for Bittnet bonds, within the sale transaction through the private placement BNET23C all 100,000 bonds put up for sale were subscribed. Unlike BNET23A, BNET23C bonds are very liquid. From the beginning of the trading (17.04.2019) and until the end of June, 10,772 BNET23C bonds changed the owners, in a number of 220 transactions that exceeded 1.1 million lei, with an average price per bond of 105.57 lei. . The volume traded in just 53 sessions represents over 10% of the entire issue, making BNET23C bonds the most traded fixed income instruments on the ATS-Bonds market.

We consider that the bonds BNET23C, BNET23, and BNET22 are very liquid, with transactions in the first 6 months between 8% and 30% of the total issues and a cumulative value of almost 3 million lei. We also consider that it is worth mentioning that the bonds were traded constantly over the price of 100% of the nominal value, reaching even maximums of 108.5% as shown in the graphs below:

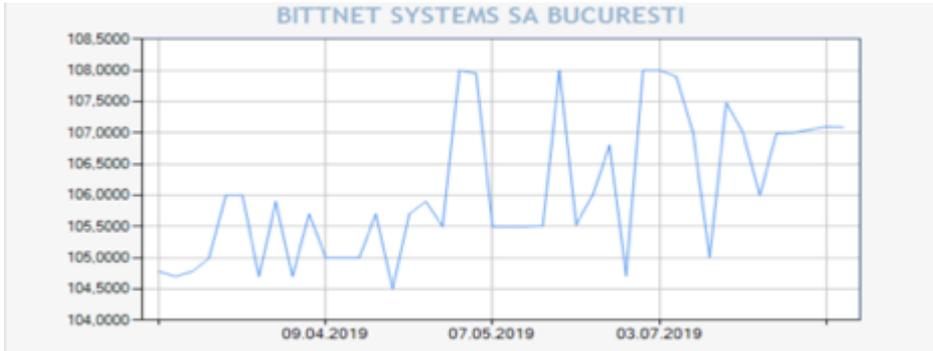
BNET23C



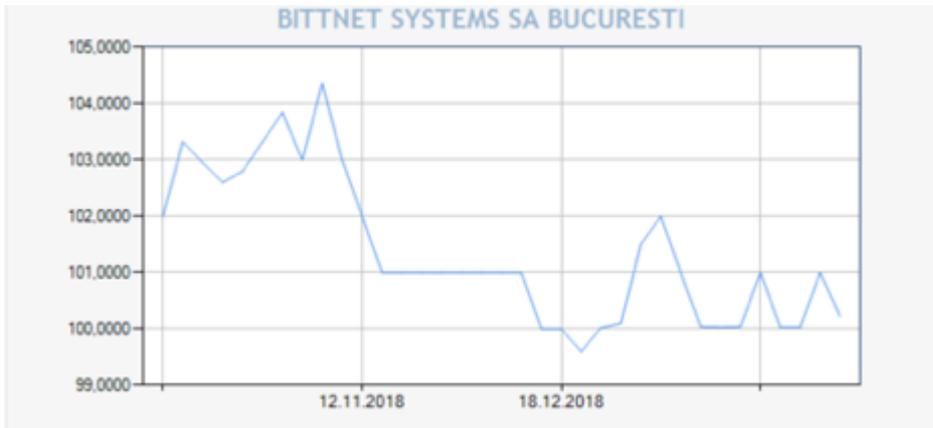
BNET23



BNET22



BNET19



2. Economic and financial position of the group

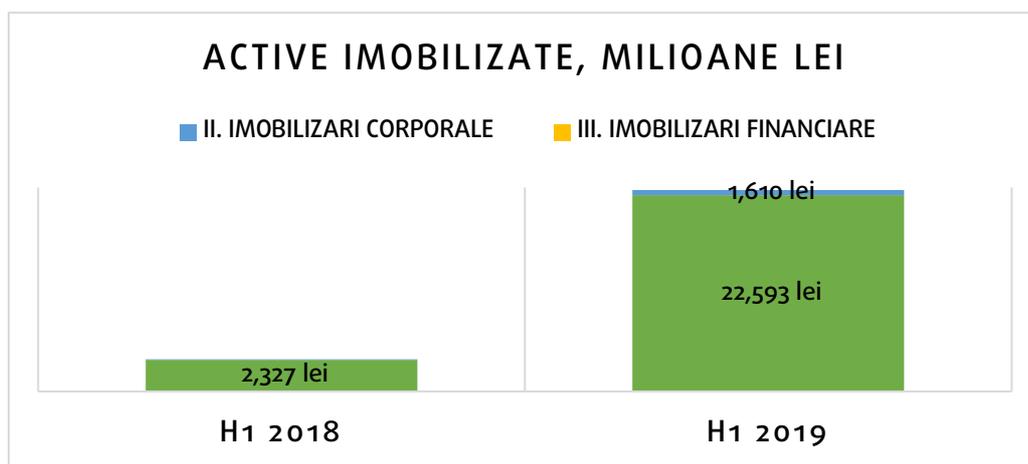
The issuer provides investors with a consolidated analysis of the Group's assets, capital and liabilities as evidenced by the financial statements of Dendrio Solutions and Bittnet Systems, at the end of the reporting period registered on June 30, 2019.

Analysis of the Balance Sheet

Fixed assets

Compared to H1 2019, the intangible assets increased significantly, however not in the reporting period, but in H2 2018. The elements that contributed to the growth were the registration of the Dendrio goodwill obtained in the transaction with Crescendo (worth 10 million lei), the acquisition by Bittnet trademark (worth approximately 6 million lei) and recording the value of the incentive plan with SOP2016 options (approximately 4 million lei).

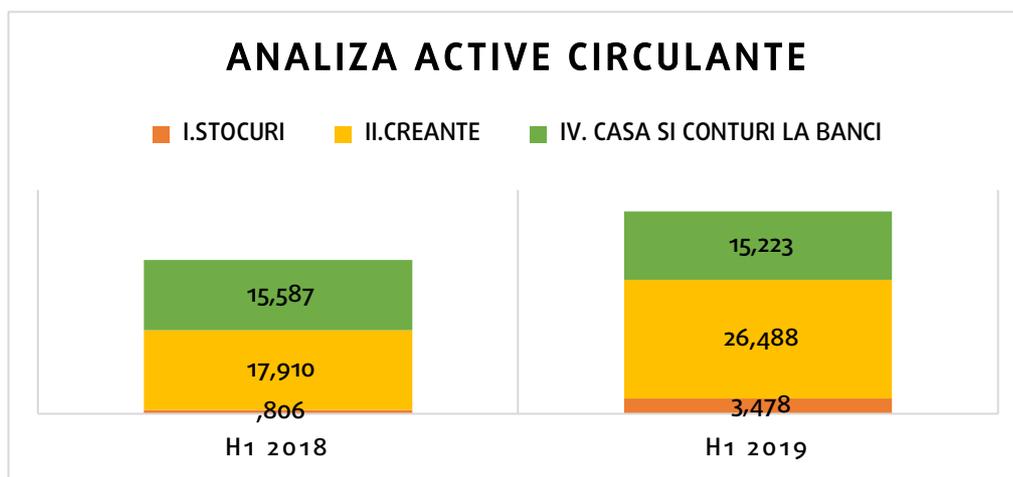
In terms of tangible fixed assets, it increased with the value of tangible assets obtained by Dendrio from the transaction with Crescendo - values included in the annual report 2018.



Current assets

The total value of current assets at group level increased in H1 2019 with 31%, from RON 36.6 million to RON 45.2 million. This growth is generated by the 47% advance of the business - visible in the receivables on the clients.

In the first half of 2019, the structure of current assets changed as follows:



Regarding the variation of the stocks, they registered an increase of RON 2.6 million, due in particular to two significant projects in which it was necessary to place the orders to the supplier before June 30 (Microsoft has the fiscal year July-June, thus it changes the prices in July of each year) to set the purchase price. In the case of the two projects, the delivery and invoicing did not take place in H1, but only in H2. This situation is not a specific one, because essentially the existence of stocks shows "sales that could be made faster" - and we are careful not to operate with stocks.

Total assets minus current liabilities

In H1 2019, compared to H1 2018, total assets minus current liabilities registered a positive evolution (+88%, representing an advance of 19.7 million lei) against the background of significant growth of fixed assets and pronounced growth of current assets, at a much higher rate. faster than increasing current debts.

Group's debt situation

As of June 30, 2019, the Group's total debt stands at RON 58.5 million, up 84% from the end of the similar period of 2018. The evolution reflects the success of BNET23, BNET 23A and BNET 23C bond issues, but also the early repayment of BNET19 (which fully explains the increase of long-term debt). It also reflects the significant growth of the Dendrio business, which generated an increase of the amounts due to the suppliers by 11 million lei, compared to H1 2018.

The group will continue the efforts to strengthen the available financing structure, both for the purpose of expanding its own capital, but also for transforming the financing from "short-term financing" into "medium-term financing". In short, we are looking for "patient capital".

We also considered important to mention in this chapter that the migration of the financing structure to a long-term oriented one is part of the risk mitigation strategy, and that, at the same time, the borrowed amounts are allocated to investment projects (the 4 M&A projects).

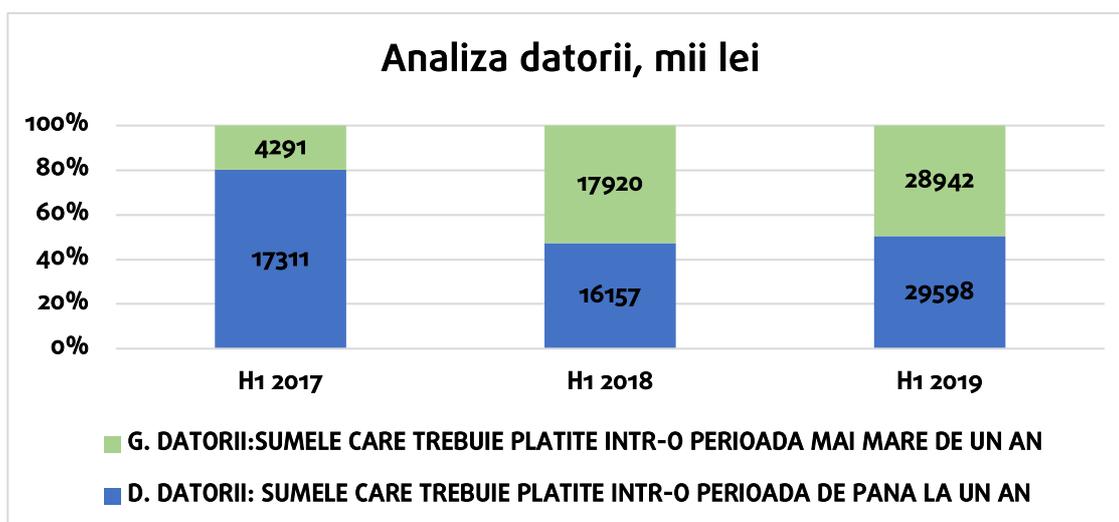
The bank lending situation

If the bond issues represent long-term borrowed capital, the group's bank lending structure is mainly composed of revolving-overdrafts that aim to finance short-term projects.

In H1 2019, the following operations were carried out regarding bank lending:

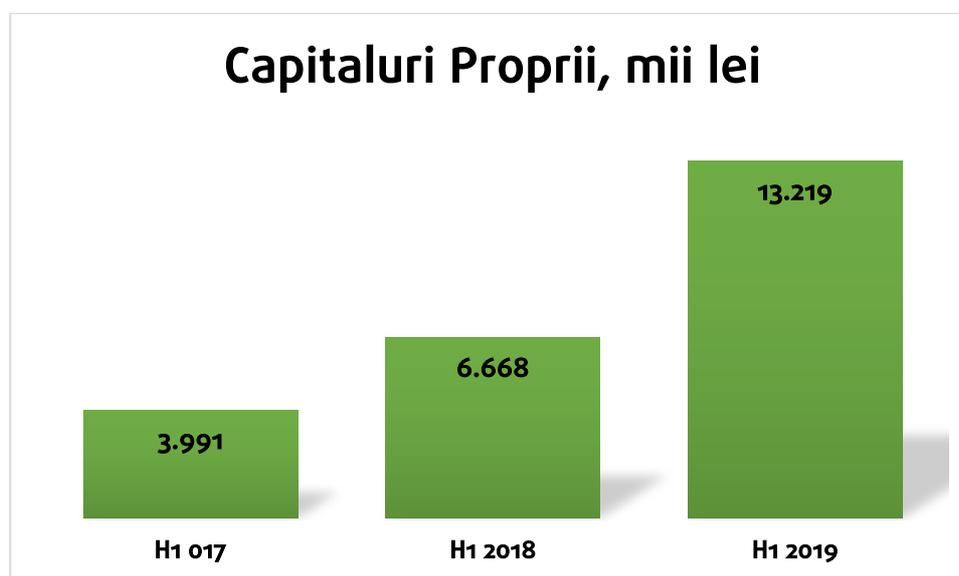
- Extension, in February, of the Bittnet Systems loan amounting to RON 2.79 million from ProCredit Bank: maturity - February 2020;

- Signing with ING Bank a factoring agreement for the punctual discounting of a significant contract, about which the Company announced the market through a current report on 12.06.2019;



Total shareholder equity

Compared to June 30, 2018, at the end of H1 2019, the equity capital almost doubled (+ 98%) reaching the value of RON 13.2 million. The positive evolution is mainly due to the RON 6.2 million increase in the position of "Subscribed and paid up capital" as a result of the increases in share capital by including the profits from the previous years, capital premiums, and with contributions, carried out by the company in H2 2018, H1 2019.



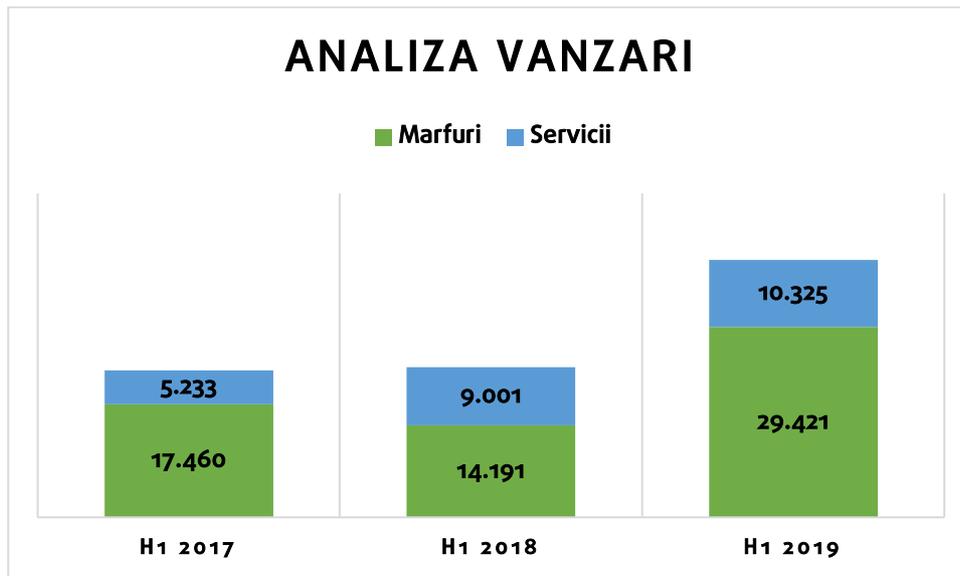
Profit and loss account

Analysis of sales

Compared to H1 2018, the most important element that needs to be mentioned is the doubling of sales of goods (equipment and IT licenses) - an increase of over 15 million, while the services sold increased by 1.3 million lei (14%) during the same period.

You can still see the correct bet related to the global trend of cloud migration - services that continued the accelerated growth: +75% compared to H1 2018. Also, as we have shown above, the training revenues registered doubling (from 2 to 4 million lei).

This result comes as a result of a greater concentration of the sales team members on certain parts of the previous portfolio, but also the access to several large projects in H1 2019.



For a better understanding of the sales structure, we continue to reproduce the results of the first-best-selling products for the integration line:

- Services Implementation, configuration, testing – RON 5 million - the highest added value from the integration business line;
- Switching solutions (network infrastructure): RON 2.5 million - similar to H1 2018;
- Cisco software licenses: RON 1.1 million - similar to the previous year;
- Microsoft software licenses: RON 7.6 million - an increase of 36% compared to last year;
- Autodesk licenses: RON 1.3 million - a 35% decrease compared to 2018.

In the case of training products, the top selling (96% of total) are as follows:

- DevOps Training (Nasible, Kubernetes, etc): RON 1.9 million - none existent last year
- Training Amazon, Oracle, ITIL: increase by over 20%, total RON 750K,
- Official Microsoft: RON 780K (5% increase);
- Bittnet Custom Training: RON 750K.

Cost elements

Of the cost elements, the following chapters have a significant weight:

- Expenditures on external benefits (ct.611 + 612+ 613+ 614+ 615+ 621+ 622+ 623+ 624+ 625+ 626+ 627+ 628) 11.99 million lei - an increase of 15% compared to last year in double compared to last

year last year - a natural evolution with the growth of the business and the migration to a more focused sales structure on production - because in the account 628 the expenses with the services subcontracted for resale are reflected. This balance sheet position is also influenced by the increase of the costs with the rent - with the extension of the headquarters from Bd. Timisoara to accommodate the extended team (Elian and Crescendo);

- Personnel expenses: an increase from 760K lei to RON 3.48 million, caused by the transfer of Crescendo Integration team to Dendrio;
- Expenditure on goods (ct. 607) RON 27.6 million - increasing by 150% compared to H1 2018 - in line with the increase in revenues from the sale of goods;
- Doubling the financial expenses (interest and assimilated) up to the consolidated value of 1.37 million lei - following the extension of financing through bonds;
- Increase of profit tax expenses (an increase of 180 thousand lei) - as a result of the recording significantly higher profits during the reporting period, and the 'completion' of all deductible expenses reported by Dendrio Solutions (expenses that lowered the profit tax in the past).

Operational and financial result and gross profit

The operating result of Bittnet improved by 1.6 million lei compared to the same period of the previous year: we recorded on June 30, 2019 a positive EBITDA of RON 1.24 million as against a negative EBITDA in 2018 of RON 371 thousand. As shown in the annual report and the GMS meeting of April 2019, unlike the period 2015-2018, the EBITDA indicator becomes relevant for our company, in particular due to the significant costs with the interests related to the 4 bond issues, but also to the increase in depreciation, as a result of the acquisition of tangible assets in the transaction with Crescendo.

In case of the Dendrio, the operating profitability decreased from 1.5 million to minus 3.75 million, following increase of the fixed expenses faster than the revenues - situation described at the beginning of the report (evolution "type J curve"). It is the element and the project that we pay maximum attention to in H2, with the interests of the management and the former Crescendo team being completely aligned with those of the shareholders.

Net Profit

The net profit result for H1 2019 is significantly influenced by the Dendrio figures, which contribute to the consolidated result with loss of RON 4.8 million out of the 5 million total. In both Dendrio and Bittnet cases, the most significant influence on the gross profit is the interest expenses, increasing from RON 685k to RON 1.37 million. The company will continue the efforts to strengthen the financial situation by carrying out operations to attract equity capital.

Dividends declared and paid

The company did not pay dividends in the first half of 2019. The Company's dividend policy is detailed here: <https://investors.bittnet.ro/corporate-policies/dividend-policy/?lang=ro>

3. Analysis of the company's activity

3.1. Presentation and analysis of trends, elements, events or uncertainty factors which affect or could affect the company's liquidity position, in comparison with the same period of the last year.

The Romanian business environment and the global economic environment continued to show a "effervescence" that could only be favorable to Bittnet Group. We have seen the opening of large companies and the public sector to investments and refurbishments, which provides us with a good ground for an accelerated growth.

There are many opinions that the big economies of the world (and Romania) are in the last phases of a new "bubble", and that there will be a financial crisis soon. Of course, there is always a crisis, but it is important to estimate 'how fast'. Signals from our partners, customers and suppliers show that Romania is not yet approaching the peak of growth, but on the contrary, there is still a growing potential, as long as there are no "force" events (such as war, etc.).

The company intends to carry out new capital increase operations and to maximize the available finance lines and products in order to take advantage of the effervescence of financial markets and ensure the financial stability of the group.

Liquidity position

Ratio	Formula	H1 2017	H1 2018	H1 2019
Current liquidity ratio	Current assets/ Current liabilities	1.43	2.27	1.52
Quick liquidity ratio	(Current assets - Inventory) / current liabilities	1.34	2.22	1.41

Current liquidity and quick liquidity are two of the most important financial rates of a company and they measure the ability to pay short-term debt using available short-term assets.

The previous increase (in H1 2018) of the levels of these indicators was mainly due to the increase of the cash availability from the "house and bank" account, as a result of the migration to a medium-long term financing structure, by using the means of the capital market - in particular, bond issues with maturities of

3-5 years. As the group continued its expansion, H1 2019 led to the return of these indicators to historical values.

The high level of the liquidity rates implies a reduced weight of the fixed assets and a shorter period for the capitalization of the services sold by the company which results in a more efficient use of working capital. In the present situation, the current activity and working capital are not dependent on financing from short-term loans.

In theory, the optimal value for the liquidity rate varies greatly depending on the sector of activity. Thus, there are sectors where the optimal liquidity is 2 or even higher, but also sectors that work very well with levels of 1.5 or slightly below 1.

Risks Identified by the Issuer

We consider important to mention that in the case of a Bittnet Group, there are a series of risk factors generated because of the current size of the company. In this sense, we provide below the list of risks that the investors need to take into consideration:

Price risk

The price risk represents the risk that the market price on the specific product or service sold by the company may vary in such a way that the existing contracts are no longer profitable.

This risk consists two components: the risk of price fluctuation of the elements that make up the company's fixed costs and the risk of price fluctuation that make up variable costs of each project.

The company carefully addresses the issue of price fluctuation at the level of variable costs through the following actions:

- The company does not operate with inventory and each order to the supplier is based on a firm demand from the client and as such, the commercial margin is "locked in".
- The company does not have any contracts with fixed prices for successive deliveries over long periods of time; any contract renegotiation with the supplier is reflected in the CRM system, so that the sales team is always up to date with the latest prices for the 'raw material', therefore they can take this into account during the offering process.
- The company does not offer such contracts. In case of a demand for such a contract the company adds a "limit of price variation" clause.

For fiscal year 2019, there is a foreseen increase in the need for contracting financial products in order to secure a fixed price for buying the currency. Several requests for quotes received from customers request bidding in a different currency than the one in which the services are purchased. The company will analyze and test various financial solutions in this regard.

The company carefully addresses the issue of price fluctuation at the level of fixed costs through the following actions:

- In the case of workforce (employees or subcontractors): the company does not have any long-term contracts with successive deliveries and fixed prices with clients, and as such can offer at any time depending on needs. We estimate that an increase of workforce costs will similarly affect the whole industry, not just the company.
- The leader position on the IT training market allows the company to obtain better prices than the competitors.

- Beside the employee and contractor costs, the most important fixed cost is the rent for the work point from Timisoara Boulevard, no. 26, Bucharest. This contract has a fixed price until 2024.

Exchange rate risk

An important element of the price risk is the exchange rate fluctuation risk. The company aims to be neutral to this risk by implementing the following measures:

- The company avoids as much possible to make “cross-currency” offers (offers in a different price than the one in which it was bought).
- In case of such a demand, the company includes a “variation limit” clause in the contract.
- All the selling prices from the contract are expressed in currency, with the billing in RON at the exchange rate from the date of the delivery.
- The company does not operate with inventory.

For fiscal year 2018, there was a foreseen need to contract financial products in order to secure a fixed price for buying the currency. Several requests for quotes received from customers request bidding in a different currency than the one in which the services are purchased. The company analyzed and tested various financial solutions in this regard.

With the intensification of the export activity, the company keeps the money cashed in the initial currency, in order to be able to directly pay in the currency of the foreign partner. This approach allows us to cancel out the exchange rate fluctuation effect in case of open invoices (because the losses created by the increased value of our debt to suppliers are offset by the winnings produce from the appreciation of FCY reserves). Especially with the acquisition of Dendrio, the earnings from Bittnet clients are more relevant for Dendrio’s payments to external suppliers (Dendrio has significant number of acquisitions from external suppliers).

Liquidity risk

The liquidity risk is associated with owning immobilized or financial assets. The Company’s activity does not depend on owning financial and immobilized assets and transforming them into liquid assets. Starting from 2018, Bittnet has a structure of assets in which financial assets (holdings of daughter companies and other goodwill or brands and patents) have a significant weight, as we have shown in the chapter on asset analysis. Bittnet intends to continue to operate these assets, these investments, and therefore the liquidity risk is not significant - not intending to look for the counterpart, to sell these assets to ensure current business.

Tangible assets of the company (technological equipment) are used in the current activity (provision of services). We believe that for Bittnet, the most important risks are cash flow and credit risk.

Credit risk

The credit risk represents the risk for the Company’s debtors to not be able to honor their obligations in due date because of financial problems. The Company is less exposed to this risk because of the specific nature of its products and services which address companies of a certain size and being in a specific financial situation.

The company analyzes new customers using specialized tools (specific sites with the capability of analyzing a client’s reliability) and has a strict procedure and documentation for orders and delivery of goods and services.

Although, the Company has not identified a solution that completely eliminates the credit risk, being one of the most important risks for a company of our size.

Also, the company closely monitors the "soft-collection" processes, and decides, relatively quickly, to switch to hard-collection procedures, which has brought us historical success in recovering debts.

The automated information systems alert both the sales team and the managers on the customers with arrears, who are 'watched' by the sales team for 1 month, so that we prioritize maintaining a good business relationship. Instead, after 1 month of unsuccessful efforts, a lawyer with experience (and positive track record) in debt recovery is involved. Thus, during the year 2018, we managed through these type of efforts and procedures to recover some historical debts of the GSP group to Dendrio.

Cash flow risk

The cash flow risk is associated with the fact that the company cannot honor its debts at the due date. In the Company's activity this has two components which we closely follow:

- The synchronization of due date payments from our clients for certain projects with due date payments to the suppliers for those projects. The company's working procedures put as priority nr. 1 this synchronization (for the due date from our client to be sooner than the due date from our supplier). This issue takes the form of back-to-back clauses when it comes to receiving invoices for subcontracted services or sales commissions. Additionally, in order to address the issue in which clients with a strong negotiating power require due dates which the suppliers cannot hold, the Company actively and continuously looks for financing solutions like invoice discounting, factoring, etc.. As an example, in 2016 the Company had at its disposal and accessed 2 different non-recourse factoring facilities from 2 different donors.
- The risk of business seasonality. Because of the specific nature of the clients that the company addresses (companies which operate on an annual budget, with investment plans, etc.), in the B2B IT industry segment, we noticed an increase in the volume of business in the fourth quarter. On the other hand, the delivery capacity cannot easily be re-dimensioned and (as such in case of a less-than-expected fourth quarter) there is the risk for the company's profitability to not reach the set goals. Throughout the year, this leads to the necessity of using financing lines. The company actively seeks the extension of financing from banks in both short and long term.

The company takes into account any long-term financing product, which reduces the cash flow risk. More so, for 2019, the company intends to increase the volume of support services, which bring a constant monthly revenue, which in turn reduces the seasonal risk.

Counterparty risk

The non-execution by third parties of the obligations they have assumed towards the Issuer, including in connection with the implementation of certain investment projects envisaged by the Issuer or the risk of insolvency in connection with them, may affect the realization of the Issuer's business objectives, activity or financial situation and, implicitly, its ability to fulfill its obligations in respect of the Obligations.

Risk of withholding of the Issuer's accounts

Withholding of accounts is a common measure of forced execution that can also be applied to the Issuer. Thus, the Issuer's accounts may be blocked as a result of the withholding if the Issuer's creditors require this measure to be taken to meet the claims they have against it. Withholding of the Issuer's accounts results in blocking the amounts in the withheld accounts and may cause the Issuer to fail to meet its payment obligations, which may have a negative effect on the Issuer's business, financial situation or prospects.

Operational risks

IT systems are vulnerable to a number of issues, such as computer viruses, illicit malicious access to information systems, physical damage to vital IT centers, and software or hardware malfunctions. In addition, other operational risks may arise from inappropriate or unsuccessful internal processes due to certain people and systems or due to external events.

Operational risks can be classified into: (i) internal risk factors (eg unauthorized actions, theft, fraud, procedural errors, business interruptions or system failures); and (ii) external risk factors, including property damage, defaults of suppliers or counterparties of the Issuer.

The occurrence of such events, in particular any disruption of activity or non-fulfillment of the contractual partners' obligations, could influence the services provided to the clients. Thus, the impossibility of managing these operational risks could affect the Issuer's financial situation.

Risk associated with the labor market and key individuals

The Company's success depends to a significant degree on its ability to continue to attract, retain and motivate qualified personnel. Bittnet's business relies on highly qualified and adequately compensated engineers, who are limited in number and might receive employment offers from the competition. In case of the Company failing to manage its personnel needs successfully, this could have tangible and significant adverse effect on the business, financial condition, operational results as well as prospects. The Company offers attractive compensation packages and dynamic career paths in order to attract, retain and motivate experienced and promising personnel.

Throughout 2018, Bittnet has faced much less staff fluctuations than the companies with whom we do business. However, two important decisions that we took in 2015 have allowed us to resolve this issue in a 'winning' way:

- adding the role of internal HR in the organization and bringing onboard a new colleague who has experienced in recruiting IT professionals. The role of HR has two main objectives:
 - continuing recruitment - identifying new talented professionals to include in our technical team;

- create and maintain a pleasant, engaging, and healthy working environment, focused on constantly promoting the values which are at the base of company's culture: competence, performance, integrity, flexibility and fun.
- listing on the Bucharest Stock Exchange allowed us to obtain a profile of an appreciated employer, which has helped us to differentiate ourselves as an open and transparent company - an image highly appreciated by all the new as well as the older employees.

In addition to the previous points, the move to the new headquarters in 2017 (A-class building, with a tall office space and modern facilities developed by a highly-valued architecture company in the "fit-out" market) is another investment made in the area of employer branding that was highly appreciated by the team members and collaborators.

This risk continues to be one of the most important 'threats' to our company, and consequently, the management will continue to give importance to this aspect. In 2016, 2017 and 2018 the General Meeting of Shareholders has approved a stock option plan incentive for key employees in order to better align their interests with the long-term interests of the company.

Risk associated with significant clients

As of 30th June, 2019, first 10 customers generated 54% of the consolidated revenues of the company, similar as in the past. Here it shall be mentioned the model of reselling the products and services of the Group through partners, which generates an apparent concentration of sales to a single partner, even if there is in fact more final customers. Thus, the largest client of the group, accounting for 11,3% of total sales, is actually 3 final large customers, plus a number of other, small customers.

Risk associated with the rights to the trademark

In the past reports we have mentioned about a historical issue with the "Bittnet" brand, which was not held by the company and was licensed from the owner. At the end of 2018, we were able to identify the practical solution to address this risk by transferring the brand directly to the company (Bittnet), without additional costs for the company and for minority shareholders as the cost was fully covered by the owners.

From the following reports, this sub-chapter will no longer be part of the risks section.

Risk associated with realization of business development plan

The Company's strategic objective is to continuously develop relationships with the clients. It cannot be excluded that Bittnet will not be able to expand the current client base or that the relationships with existing customers will deteriorate. There is also the risk that the company will not be able to accomplish other elements of its defined strategy, such as: the expansion of sales team, launching new local offices in the main Romanian cities, strengthening the position of the IT Training market leader, expanding the customer base and providing trainings to more potential customers, developing and creating strategic partnerships with companies of similar or complementary profiles, will not be successful. In order to reduce this risk, the Company intends to continue to extend the product and services offer as well as to improve its marketing activities.

Risk associated with realization of the financial forecasts

Financial forecasts of the Company start at the hypothesis of successfully implementing the growth strategy, based on existing resources and business units. However, there is risk associated with the realization of the financial forecasts. Forecasts were created with due diligence; however, they are subject to many variables. The actual data provided in the future periodic reports may differ from the forecasted values, as a result of unforeseen factors in the company's business environment. The company will provide future information regarding the possibility of the realization of financial forecast.

This chapter deserves a more detailed discussion. Every year the company submits for the shareholders' approval a revenue and expense budget. The Management realizes this budget using an 'up and down' approach - beginning with the evaluation of the ongoing projects (of the available sales pipeline at the time of the production of the budget), of the sales statistics from the previous years, of the already engaged / planned marketing and sales actions, and of the sales targets assumed by each member of the sales team. In other words, the budget is realized in a prudent way.

On the other hand, what we follow and measure in the relationship with the sales team and with any other partner is the commercial GROSS MARGIN and not the sales amount. This way, every year, at the time of publishing of the budget, the management has to answer to the "If we have a reasonable trust that we will generate 100 RON gross margin, from how much RON in sales will we obtain this margin?" question. It must be taken into consideration that the sales accomplishments are measured and calculated EXCLUSIVELY by the values of gross margins generated. In other words, 100 Euro of gross margin generated by 200 Euro course sales is equally valuable to the company as, for example, 100 euro of gross margin generated from the sale of a 500 euro communication solution.

In order to answer to the "How much RON in sales is necessary to produce the 100 RON engaged margin" question, we must therefore intermediately answer to the "which will be the average percentage of gross margin registered by the company?" question. According to the prudence principle, the management applies small percentage decreases to the already registered gross margin, in order to find out the answer to this question.

The unexpected result of these cautious estimations is that, if we apply a smaller margin percentage, then we actually assume that we will have to 'work' more for the same RON gross margin, so the forecasts (the budget) related to the company's revenues are HIGHER.

Although, the company follows only the gross margin, not the volume of sales, that is why during the budget exercise, it is more likely that the revenue forecasts (turnover) is wrong, and the profitability one is more accurate. In other words, the management does not aim, does not follow, and does not reward the achievement of any revenue targets and, in consequence, the investors should not follow and evaluate the accomplishment of the revenue indicators (turnover), but instead should follow the profitability indicators.

Risk associated with interest rates

The Company is exposed to the risk of interest rate increase due to the credits and loans taken. Any increase in interest rates will be reflected in an increase of financial costs. The Company regularly monitors the market situation to predict the risk associated with interest rates and stays in touch with as many loan institutions in order to ensure an 'arbitration' between the offerings.

In 2016, 2017 and 2017, the Company has carried out placements of corporate bonds, with maturity in 2019, 2022 and 2023, through which it obtained from the capital market an "engaged" financing of over RON 30 million. All the bonds are listed on the Bucharest Stock Exchange.

In February 2018, the Company has informed the shareholders about the new operations regarding two bank loans with ProCredit Bank – a revolving overdraft contract in the amount of RON 2,790,000 with a fixed interest rate of 3,75% per year, and signing of a credit contract with the same financial institution amount of RON 697,000 with an interest rate of ROBOR6M+1,5% per year and 3 years maturity, with monthly reimbursements. The loans intend to finance current activity, working capital and the development plans of Bittnet.

Same month, Bittnet has extended the loan contract to Dendrio from an initial amount of EUR 90,000 to a new ceiling of EUR 1 million. The new interest rate for this loan is 6.5% per year. The reason for this EUR currency loan contract between the two companies is that Dendrio makes more foreign currency payments to foreign vendors, whereas Bittnet has more foreign currency receivables than payables. Under this model, Bittnet obtains FCY reserves, while Dendrio needs to negotiate and buy FCY to cover payments. With the loan agreement the two companies intend to decrease the FX exposure and minimize currency exchange costs.

In May 2018, the company has further improved the financing structure of Dendrio Solutions SRL by signing a revolving overdraft contract with ProCredit Bank in the amount of RON 1,800,000, with an interest rate of ROBOR3M+2.5% per year and a 36 months maturity. The loan will be used for financing current activity and working capital of Dendrio Solutions SRL.

In November 2018, the company has further contracted a revolving overdraft contract with ING Bank Amsterdam, Bucharest Branch in the amount of RON 2,000,000 with an interest rate of ROBOR1M+2.9% per year and a 1-year maturity, with an extension possibility. The loan will be used for financing current activity and working capital of Dendrio Solutions SRL.

In December 2018, Bittnet contracted a ceiling product from Banca Transilvania for Dendrio Solutions SRL in the value of RON 1,000,000, with a maturity of 15 months and interest of ROBOR3M+3.8% (based on the actual value used). The product provides access to corporate credit line as well as different types of non-cash Guarantee Letters (bank guarantee letters, performance letters, vendor payment guarantee, prepayment, etc.). The company intends to use this banking product to stop "blocking" its own cash to issue Guarantee Letters and to unlock the current guaranteeing instruments of this kind.

All credit products accessed by the Company currently have FIXED annual interest. The weighted cost of borrowed capital is slightly below 7.6% per year. We believe that the next financial period (2018 - 2022) will be a time when the fact that we have fixed the price of the borrowed capital will be a competitive advantage.

The financial leverage risk (debt ratio)

One of the discussions with potential investors is the rate of indebtedness. It can be calculated in several ways, of which we reproduce 2: "the ratio of assets financing with credit" and "net borrowed capital versus own capital".

The "ratio of financing assets via credit" approach has the advantage of being easy to calculate, achieving a simple and fast result. In Bittnet case, this ratio is 81% (RON 58,5 million loans vs RON 71,1 million total assets). Unfortunately, this report can often send an erroneous message. Thus, in our opinion, the fact that this formula ignores the availability times (credit maturities), not differentiating between the payment amounts to a bond issue of RON 10 million, made on December 27, 2018 due in December 2023, and the invoices of the suppliers due in July 15 2019, is a feature that makes it less useful to understand a company's financial situation.

At the same time, this formula does not differentiate between type assets, banking availability or invest in other company shares. Thus, a company with own capital of RON 1 million and borrowed capital of RON 1 million, having all the amounts fully disposed of in the accounts, has a financing degree of assets by 50% credit. Instead, a company with RON 1,000 equity, receivables of RON 1100 and zero cash are listed with a zero-debt rate.

In our opinion, as the case of any other mathematical or economic formula, the definition of terms, "which elements we include in every formula", is very important, and significantly changes interpretation. On June 30, 2019, the Bittnet Group had the following debts:

- Banks – 9,2 million
- Bonds Issues – RON 28,9 million
- Suppliers – RON 16,1 million

The commercial debt (suppliers/vendors) was covered in 1:6:1 by the amounts to be collected from the customers, RON 25.9 million. This ratio of customer invoices to suppliers' payables also illustrates the rationale for the existence and use of bank financing by the company - we pay suppliers on time or in advance to have a good reputation, and we offer payment terms to customers to win projects.

From the point of view of the availability of borrowed funds, bank financing is predominantly short-term - it is meant to cover working capital requirements, as in the case of BNET19 bonds, RON 4.2 million. On the other hand, bond issues BNET22, BNET23, BNET23A but also a smaller part of bank loans is available in the long term, 4 or 5 years for bond issues, meaning a total of RON 25 million term credits of 4 or 5 years.

From the point of view of use, the BNET22, 23 and 23A bond yields were invested with a 5-year recovery target in the acquisitions already implemented by the group: a 100% stake in Dendrio, 51% in Elian and 25 % in Equatorial. Investments in Elian and Equatorial, made during the second half of 2018, are still at the beginning of the realization period, so it is premature to draw conclusions about their evolution.

If we look at the debt ratio in terms of equity, (with the company lacking significant tangible assets, so that an analysis is not relevant), the degree of commercial debt coverage is over 150% (customers versus suppliers) while the commercial debt ratio is close to 2:1 (clients versus suppliers) and the ratio of the borrowed long term capital versus equity ratio is approximately 1.51: 1, taking into account the long-term borrowings and equity capital of RON 14.8 million.

The above reports do not include "net borrowings", in the previous calculations the cash availability position of RON 15.2 million from July 30, 2019 is ignored. If we reduce this amount (a very un-wise decision), we could either completely eliminate bank financing or we could repay early (4 years earlier!) half of the bond issue. However, we believe that for a fast-growing company the existence of a solid cash position is essential to provide a solid basis from which to continue building the growth story.

In this context, we believe that the new size of the group can support the migration to the Bucharest Stock Exchange's Main Market, a transaction that can be accomplished with a capital raising component made either by the secondary public offer (SPO) or through a listing followed by an increase in capital, similar to what has been achieved so far. In any case, we consider a viable target to attract a capital injection of RON 7-12 million through this process, which would lower the ratio of borrowed capital versus own capital to under 1:1.

The reputational risk

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

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

Risk of loss of technological relevance of solutions

The IT market is an evolving market, with a fast rate of change. The business development plan takes into account the identification of technological trends and positioning in the first part of the adoption curve, the so-called 'first mover' position. There is a risk that the management does not correctly identify trends and that the investments of time and financial resources are misdirected. Such a possibility would affect the company both from a direct financial point of view (non-recoverable investment) and by making the company's offer irrelevant to clients - therefore increasing the risk of loss of income sources.

The risk associated with patent and license dependence, industrial, commercial or financial contracts or new manufacturing processes

The Issuer provides official IT training, meaning that it teaches official curricula developed and licensed by the major global manufacturers such as CISCO, Microsoft, etc. The Issuer does not have multiple delivery contracts and does not operate with stocks. Recurrence contracts come from the fact that the Issuer receives positive feedback from its customers who choose to work with the company in the future.

Certifications from major IT manufacturers (vendors) are obtained by the Issuer on the basis of technical conditions (qualified human resources that promote examinations), by demonstrating procedures and sales standards, by observing the terms of representation imposed by each manufacturer. Should the Issuer fail to meet the conditions imposed by each manufacturer, it risks losing the status of a "certified partner" vis-à-vis any of them. The impact on business of loss of status cannot be accurately assessed, but at present the Issuer believes that the existence of certifications from IT manufacturers is a competitive advantage.

In current activity and in order to continue its development, the Issuer uses various financial products such as working capital loans, credit lines, or finance products such as factoring. These financial products allow the Issuer to provide customers with the commercial conditions they want. Simultaneous loss of access to financial products may have a significant impact on the Issuer's business and, implicitly, its ability to meet its obligations in respect of the Bonds.

Risk of Business commoditization

A special case related to the rapid evolution of the IT industry is the trend for every technology to become 'commodity' (very widespread, very widely adopted) and to be very well understood by customers. In such a business environment, the added value of the "resellers" is a very small one, so such a scenario leads to a decrease in trade margins for business lines that are affected by commoditization. All technologies face this risk as their adoption rate increases. The most eloquent example is Microsoft's licenses business, where most of the projects are billed to customers with very small business margins of 0-2%. As other technologies get the same spread and adoption, also reselling them becomes unprofitable.

The company seeks to position itself as a valuable consultant, not as a reseller of "commodity" boxes. Following technological trends and positioning as a 'first mover' helps the company to deliver added value through its services (consulting, building technical solutions, installation and simplicity, optimization, maintenance).

Risk of unfair competition

Low-margin commoditized businesses are prone to unfair competition, especially through dumping prices. Especially in the Dendrio business, this risk materializes when competitors often offer retail prices that are substantially subdivided below the price of the acquisition of respective licenses. This type of business approach is very difficult and expensive to prove but can cause harm to the company by losing contracts or reducing profitability. The company has not identified any solution to prevent this risk. The company aims to address new customer and customer typologies for whom the added value of the solution offered is not represented by the price reductions, but by its functionality. The more commoditized the business line, the lower the added value that can be provided by an integration partner.

The Issuer is in constant competition with other participants on the IT market and competition is expected to intensify. High competition can encourage both current and potential customers to use the services and products of the Issuer's competitors and thereby adversely affect the Issuer's revenue and profitability.

Strong competition may lead to increased pressure on the Issuer in relation to the prices of products and services offered to customers, which may have a significant impact on the Issuer's ability to increase or maintain profitability. The Competitiveness of the Issuer in the current competitive environment largely depends on its ability to adapt quickly to new developments and market trends, to the extent that the Issuer cannot effectively compete with its competitors, whether it is a local or international group, this may have a negative effect on the Issuer's business, financial situation, results and prospects.

Cybersecurity and Other Technological Risks

The Issuer's activity is subject to a high risk of evolving cyber-attacks. The Issuer's systems, software, and networks have been and will continue to be vulnerable to unauthorized access, loss or destruction of data (including personal data and confidential information about customers), unavailability of the service, computer viruses, or other hostile codes, cyber-attacks and other similar events. These threats can be caused by human errors, fraud or ill-will of the employees or third parties or by accidental technological failures.

The occurrence of one or more of such events could lead to the disclosure of confidential information of the customers, to the deterioration of the Issuer's reputation in front of the customers and the market, additional costs for the Issuer (such as those for system repair or for supplementing staff or protection technologies), fines from competent authorities and financial loss to the Issuer. Such events could also

cause interruptions or inappropriate operation of the Issuer's operations as well as the operations of its clients or other third parties. Disaster recovery, security, and business continuity recovery measures that the Issuer has undertaken or might undertake in the future may prove insufficient to prevent losses. In addition, certain errors or actions may be repeated or aggravated before they are discovered and corrected, which would increase these costs and worsen the consequences.

In addition, third parties with which the Issuer has a business relationship based on strict contractual arrangements may also generate cybersecurity or other technological risks. Even if the Issuer takes a number of actions to eliminate these risks, such as prohibiting third party access to systems and operating a strictly controlled IT environment, unauthorized access, loss or destruction of data or other cyber incidents may arise, which may generate costs and consequences for the Issuer, as mentioned above.

Risk related to protection of personal data

In its activity, the Issuer collects, stores and uses data that is protected by personal data protection laws. Although the Issuer takes precautions to protect customer data in accordance with legal requirements for privacy protection, data leaks may occur in the future. Moreover, the Issuer works with third-party vendors or third parties who may not fully comply with the relevant contractual terms and the data protection obligations imposed on them.

Unspecified IT problems, system failures, unauthorized access to the Issuer's computer networks or other deficiencies may result in the inability to maintain and protect customer data in accordance with applicable regulations and requirements and may affect the quality of the Issuer's services and compromise the confidentiality of its customer data or cause interruption of service, resulting in fines and other penalties. Also, with the entry into force of the General Data Protection (EU) Regulation 2016/679 (GDPR) on May 25th, 2018, the Issuer is subject to respecting requirements regarding the processing of personal data, the non-observance of which may attract several types sanctions, including fines of up to 4% of global turnover, or up to EUR 20 million (whichever is the greater); in addition, if they have suffered damage, the persons concerned may obtain compensation to cover the amount of such damage and their rights may also be represented by collective bodies.

Acquisition risk

The Issuer has carried out and may directly or indirectly carry out additional acquisitions in the future (including the takeover of the Crescendo IT & C integration process and its integration into the Dendrio business), according to opportunities, within its existing lines of business or complementary activities (in order to integrate those lines of activity into its activity).

However, it is possible that estimating the financial effects of any such transaction on the Issuer's business may not be successful, especially since the entities acquired may find it difficult to integrate. In addition, M&A activity may distract management's attention or divert financial or other resources from the Issuer's existing business or may require additional expenses. Such developments could have a significant negative effect on the Issuer's business, results and operations.

Acquisition of new companies or assets or the take-over of companies may be limited by many factors, including the availability of funding, the prevalence of complex ownership structures of potential targets, government regulations, and competition from other potential buyers. If purchases are made, there is no guarantee that the Issuer will be able to maintain the customer base of the companies acquired, generate the expected margins or cash flows or realize the anticipated benefits of these acquisitions, including expected growth or synergies. Analyses of potential acquisition targets are subject to a number of

assumptions about profitability, growth, interest rates and valuations. There is no guarantee that the Issuer's valuations and assumptions about the acquisition targets will prove to be correct, and actual developments may differ significantly from the Issuer's expectations.

Even if the Issuer (directly or indirectly) successfully acquires new companies, their integration may be difficult for a variety of reasons, including due to the diversity of styles and management systems, inadequate infrastructure and poor records or weak internal controls. Additionally, the integration of any potential acquisitions may require significant initial investment and ongoing costs that may result in tax liabilities or fines imposed by regulators. The process of integrating activities may disrupt the Issuer's operations and cause interruption, loss of pace, or a decrease in the results of operations due to costs, challenges, difficulties or risks, including:

- making economies of scale; eliminating repetitive general expenses;
- staff integration (and maintenance), financial and operational systems;
- unforeseen legal, regulatory or contractual issues and other issues;
- unforeseen challenges resulting from operating in new geographical areas (ie outside the territory of Romania); and
- distracting management's attention from day to day work as a result of the need to address the challenges, disturbances and difficulties mentioned above.

Moreover, even if the Issuer succeeds in successfully integrating its activities with new ones, the expected synergies and cost savings may not materialize as expected or not materialize at all, generating profit margins lower than expected. There is no guarantee that the Issuer will successfully acquire new business or will accomplish any of the anticipated benefits from the companies it will purchase in the future.

As noted above, purchases made by the Issuer could adversely affect the Issuer's activity, financial condition, results and prospects and could affect the Issuer's ability to meet its financial obligations.

The risk associated with the particularities of taking over the IT&C integration division of Crescendo International S.R.L

The general risks associated with the direct or indirect purchases that the Issuer has already made or will carry out in the future described under the "Acquisition Risk" sub-section are fully applicable to the acquisition by Dendrio of the IT&C integration division from Crescendo International.

From the perspective of the way in which the investment was built, the qualification of a transaction between Dendrio and Crescendo as a business transfer, both in terms of tax and employee rights (at local and EU level), is essential. This qualification depends, however, on a number of aspects, including the independence and economic identity of the taken over business. The Issuer's efforts have been and are to identify the Transferred Elements, so that the IT&C integration activity to be taken over from Crescendo retains these characteristics (independence and economic identity). However, in the event of a dispute which calls into question the classification of the transaction between Dendrio and Crescendo (eg by tax authorities and / or transferred staff), there is no guarantee that the same assessment will be made by the court in question. To the extent that the operation between Dendrio and Crescendo would be removed from the scope of the business transfer, the negative effects could be the ineffectiveness of the takeover of Crescendo employees, considered by the specificity of the taken business, the most important element of the business transfer concerned and / payment of VAT by Dendrio to Crescendo (in a case where VAT would not be considered part of the price) in the context of the Business Transfer Agreement, generating in this case a limited liquidity risk for Dendrio.

In addition to the particularities of the Crescendo IT&C integration takeover structure and the relevant documentation, the specificity of the taken over activity and the Transferred Elements, presents for the Issuer and Dendrio challenges that can decisively influence the integration of Crescendo's activity, customer base, margins, anticipated cash flows or realized earning benefits, including expected growth or synergies, as follows:

- since the takeover of the Crescendo IT & C integration is the largest investment of the Group, there is a risk for the Issuer not to quantify the time and human resources effort to integrate the operations and culture of the two teams, and the materialization of this risk may lead to the failure to achieve the business objectives, respectively the lack of the anticipated revenue and expenditure budget;
- the current market, suppliers and customers of the Issuer (including Dendrio) and Crescendo may not perceive well the takeover of Crescendo's IT C integration business, which may lead to the loss of some of the clients from the two companies;
- there is the possibility for team members not to consider the Issuer's (including Dendrio) and Crescendo's decision as a positive one and to choose a career opportunity in other companies in the market. The issues reflected in the subsection Risk associated with labour market and key personnel are equally applicable to the Crescendo staff that transferred to Dendrio under the Business Agreement. The negative impact of this risk is amplified in the context of the investment envisaged, as the most important element of the business transfer are the employees of the Crescendo IT&C integration team;
- When looking at the revenue structure of Crescendo's IT&C integration division, the public sector clients have a significantly higher share than in the structure of the Issuer / Dendrio, and this change may negatively affect Dendrio's image.

Each and/or all the above risks may have a material and negative effect on the activity, financial condition, results of operations and prospects of the Issuer and the Group and on the Issuer's ability to fulfill its obligations in relation to the Bonds.

Risk associated with the listing of the Company on the AeRO market – future price per share and transaction liquidity

The price of shares and the liquidity of the transactions for the companies listed on the AeRO market depends on the number and size of the purchase and sale orders placed by the investors. There can be no guarantee on the future price of the company's shares and no guarantee on their liquidity. It is not possible to guarantee that the investor who buys the shares will be able to sell them at any time, at a satisfactory price.

Risk associated with direct investment in shares

Shareholders should be aware of the risk associated with direct investment in shares, which is greater than the risk associated with investing in government bonds or in an investment fund, mainly because of the volatility and unpredictable nature of share prices, both on short and long-term.

Risk associated with changing law and taxation rules in Romania

Changes in the Romanian legal or tax systems may affect the economic activity of the Company. Changes related to the adjustment of the Romanian legislation to EU regulations may affect the legal environment of Company's business activity and its financial results. The lack of consistent rules and protracted

procedure for obtaining administrative decisions may also restrict further development of the Company. In order to minimize the risk, the Company regularly analyzes the changes in these regulations and their interpretations, operating under the assumption that the unwritten rule "no control without a fine" will apply.

In particular, the emergence in 2018 of the "GDPR" legislation has generated a frenzy of contractual changes, processes, procedures, forms, etc. All this generates delays in the negotiation of contracts and adds an additional level of risk that cannot yet be correctly assessed.

3.2. Presentation and analysis of the effects on the company's financial position of all capital expenditure, either current or anticipated (by mentioning the purpose and the source of finance for the expenditure), in comparison with the same period of the last

According to those approved by the General Shareholder's Meeting from 2019, the Company has the following Budgets:

Investment budget

The acquisitions of assets / investments will be dimensioned at 4,000,000 lei, provided the financing sources exist for the implementation. The investment plan includes:

- Continuous modernization of the working environment and the training center;
- Brand promotion campaigns for Dendrio;
- Continuation of the acquisition of IT resources - upgrade website and online store, computer programs, IT infrastructure for internal use, etc;
- Ensuring the constant functioning of IT systems;
- Offering cloud and managed services to the clients of the Company.

The management of the company will perform all the necessary diligence so that these operations do not affect the cash flow of the company. In this regard, will be considered negotiated rental contracts for most IT equipment, furniture, etc. - in this case the rental contracts may exceed the threshold provided in Art 241 paragraph 2 of Law 297/2004.

3.3.Presentation and analysis of the events, transactions, economic changes which significantly affect the income generated by the main activity. Mention of the extent to which the income has been affected by each element

identified. Comparison with the same period of the last year.

During the reporting period we did not identify events or economic changes that would affect the revenues from the basic activity. All the companies in the group follow the technological changes, aiming to be aware of 'before the clients', so that we can create value for them. We consider that the global socio-economic trend under whose auspices we carry out the activity is 'gig economy' - the consumption of *anything* in the form of a service.

4. Changes which affect the company's capital and administration

4.1. Description of the situations when the company was unable to fulfil its financial obligations within that period.

The company has not been unable to fulfil its financial obligations.

4.2. Description of any change in the rights of holders of securities issued by the company.

There are no changes regarding the rights of the holders of securities issued by the company. The Extraordinary General Meeting of Shareholders from April 24, 2019 approved the following operations regarding the share capital of the company:

The capital increase with free shares - 1 new share for 1 share owned

During the first half of fiscal year 2019, the shareholders of the company approved the increase of the share capital with the amount of 5,523,320.50 lei (representing 55,233,205 new shares), up to the amount of 11,046,641 lei (a total of 110,466,410 shares).

Following this Extraordinary General Shareholders Meeting decision, each shareholder who held shares on the registration date - July 8, 2019 - received 1 free share for each share held. This process was successfully completed, and the Central Depository loaded the free shares in the trading accounts of the holders on the date of payment, July 9, 2019.

The capital increase with new contributions

At the same meeting of the Extraordinary General Meeting of Shareholders, it was approved the increase of the share capital with new contributions from the shareholders, by issuing a number of 3,044,425 new shares.

The increase of the share capital will be achieved by offering new shares for subscription within the right of preference held by the existing shareholders on the registration date, May 15, 2018.

After the expiration of the period of exercise of the right of preference, the newly issued shares which remain unsubscribed, will be offered for sale in a private placement, at a price that will not be lower than the price offered to the first stage shareholders, according to the proportionate Prospectus.

According to the shareholders' decision, the preference rights will be traded before the subscription period on the ATS market of the Bucharest Stock Exchange.

At the time of writing this report, the company is in the process of obtaining the approval visa on the Prospectus of the increase, a mandatory step before the start of the operation.

Options exercised from the incentive plan approved in 2016

At the beginning of the financial year 2016, the General Assembly approved an incentive plan with options for the key persons as well as management contracts for the positions of CEO and CFO, which contain the option of the key persons to buy from the company shares in a total percentage of 9% of total capital, at a price per share calculable taking into account the number of shares of the company at the date of the operation and the capitalization of the company on January 1, 2016 - 7,800,000 lei. At the same time, the General Assembly also approved the mandate of the Administrator to perform all the necessary formalities, including raising the capital and raising the right of preference for the other shareholders (non-shareholders).

This incentive plan matured in 2018, and the options holders exercised their options. The company obtained from the holders of options the postponement of the exercise time so that the capital increase operation with free shares is already registered. Thus, the capital increase operation was completed in H1 2019.

According to the plan approved by the General Meeting of Shareholders in April 2016, the following persons were included in the incentive plan with options - and therefore received shares in the February 2019 increase - CEO (2%), CFO (2%), the advisory board members (3%), team managers, persons with responsibilities for organizing activities (marketing, training, technical, treasury, etc.) (1%).

Options exercised from the incentive plan approved in 2017

At the beginning of the financial year 2017, the General Assembly approved an incentive plan with options of the key persons associated with the investment in Gecad Net (the current Dendrio), which contain the option of the key persons to buy from the company shares in a total percentage of 5% of the total capital, at a price per share calculable taking into account the number of shares of the company at the date of the operation and the capitalization of the company on January 1, 2017 - 19,700,000 lei. At the same time, the General Assembly also approved the mandate of the Administrator to perform all the necessary formalities, including raising the capital and raising the right of preference for the other shareholders (non-shareholders).

This incentive plan matured in 2019, and the options holders exercised their options. The Administrator decided in August 2019 to increase the share capital, in accordance with the mandate granted by the General Meeting of Shareholders. The increase operation is being registered at the Trade Register, then at the ASF and the Central Depository. With the completion of the operation, existing shareholders who are not part of the incentive plan will register a dilution of their positions equal to 4.9%. For example, a shareholder who owns 1% of the company's capital before allocating options, will own 0.951% of the new capital, resulting from the allocation.

The current shareholding structure as of June 30th, 2019

The current shareholding structure on June 30th, 2019, according to information obtained from the Central Depository, is as follows:

Shareholder:	% of share capital and voting rights:
LOGOFĂTU CRISTIAN-ION	16,2408%
LOGOFĂTU MIHAI-ALEXANDRU-CONSTANTIN	17,3071%
CAPATINA-GROSANU RAZVAN	12,3460%
OTHER SHAREHOLDERS	54,1061%

As part of the process of finalizing the transaction by which Bittnet acquired the brand from its former owner, the two founders ceded shares to a SPV, whose social shares they paid to the former owner of the brand, in exchange for the debt assumed, instead of Bittnet, at the end of fiscal year 2018. In this way, the minority shareholders did not bear the cost of transferring the brand to the Issuer in any way. Compared to the positions in the table above, each of founders, Logofatu Cristian and Logofatu Mihai holds at the date of publication of this report 1,650,000 (one million six hundred and five tens) fewer shares, which were transferred in the Central Depository system, by direct transfer.

5. Significant intragroup transactions

Not the case - During the reporting period, the company did not conclude significant transactions with persons with whom it acts in concert or with affiliates. In the course of the normal operational activity, there are commercial flows that generate transactions between the companies from the Group, which are presented below:

Eliau deliveries

1. Towards Dendrio:
 - a. RON 36.729 – 1 invoice, license Dynamics NAV and ‘software assurance’ from Microsoft
 - b. RON 6000 – 6 invoices Dynamics NAV monthly support
2. Towards Bittnet: RON 6000 – 6 invoices Dynamics NAV monthly support

Dendrio deliveries

1. Towards Bittnet: RON 605.698 - 30 invoices – for 29 projects of re-selling licenses, 9 final clients

Bittnet deliveries

1. Towards Eliau: 35 invoices, re-invoicing indirect costs of RON 81.870
2. Towards Equatorial: 180.274 lei – 14 invoices – 14 training projects at the final client
3. Towards Dendrio:
 - a. RON 823.768 – 79 invoices, re-invoicing indirect costs
 - b. RON 562.500 – 48 invoices, 20 final clients, reselling cloud solutions

6. Signatures and declarations according to art. 123 2 point B, letter c of the ASF Regulation no.1 / 2006.

Cristian Logofatu, as CFO, states that, to his knowledge, half-yearly accounting reporting that has been prepared in accordance with the applicable accounting standards, provides a true and fair view of the assets, liabilities, financial position, profit and loss of the issuer and/or of its subsidiaries included in the consolidation process and that it presents fairly and completely the information about the issuer.

7. Realization targets for 2018

Profit and loss account[RON]	Forecasted 2019[RON]	Reported value H12019[RON]	% realization after H1
Turnover	130,000,000	39,747,226	31%
Operating expenses, including:	122,200,000	44,205,818	36%
Depreciation and Amortization	437,000	545,788	125%
Operating result	8,237,000	(3,071,297)	-37%
Financial result including:	(3,600,000)	(851,128)	24%
Financial expenses	(3,600,000)	1,368,148	-38%
Gross result	4,200,000	(4,967,737)	-118%
Net Result	3,528,000	(4,990,884)	-141%
Number of shares	110,466,410	110,466,410	
Net result per share	3.19	(4.52)	

* CONSOLIDATED VALUES AT GROUP LEVEL

8. Annexes

Attached are the half-year, unaudited financial statements:

8.1. Statement of assets, liabilities and equity

8.2. Profit and loss statement

8.3 Cash Flow Statement

Individual Bittnet balance sheet

Indicator	nr	30-iun.-17	30-iun.-18	30-iun.-19
A. ACTIVE IMOBILIZATE	0			
I. IMOBILIZARI NECORPORALE	1	139,112	61,779	9,448,228
II. IMOBILIZARI CORPORALE	2	3,002	1,029	16,050
III. IMOBILIZARI FINANCIARE	3		2,266,254	3,826,254
ACTIVE IMOBILIZATE - TOTAL	4	142,114	2,329,062	13,290,532
B. ACTIVE CIRCULANTE	0			
I. STOCURI	5	901,839	604,579	405,024
II. CREANTE	6	6,995,049	12,684,242	30,747,446
III. INVESTITII PE TERMEN SCURT	7			
IV. CASA SI CONTURI LA BANCI	8	2,484,357	12,846,522	12,740,389
ACTIVE CIRCULANTE - TOTAL	9	10,381,245	26,135,343	43,892,859
C. CHELTUIELI IN AVANS	10	620,401	1,634,300	2,104,967
Sume de reluat într-o perioada de pâna la un an	11	297,687	837,165	874,542
Sume de reluat într-o perioada mai mare de un an	12	322,714	797,135	1,230,425
D. DATORII: SUMELE CARE TREBUIE PLATITE INTR-O PERIOADA DE PANA LA UN AN	13	2,958,170	11,794,614	13,272,225
E. ACTIVE CIRCULANTE NETE/DATORII CURENTE NETE	14	7,720,762	15,177,894	31,495,176
F. TOTAL ACTIVE MINUS DATORII CURENTE	15	8,185,590	18,304,091	46,016,133
G. DATORII: SUMELE CARE TREBUIE PLATITE INTR-O PERIOADA MAI MARE DE UN AN	16	4,291,461	13,066,000	29,301,936
H. PROVIZIOANE	17			
I. VENITURI IN AVANS	18	-	-	-
J. CAPITAL SI REZERVE	0			
I. CAPITAL	29	2,902,825	4,871,081	11,046,641
1. Capital subscris varsat	30	2,902,825	4,871,081	11,046,641
2. Capital subscris nevarsat	31			
3. Patrimoniul regiei	32			
4. Patrimoniul institutelor naționale de cercetare-dezvoltare	33			
5. Alte elemente de capitaluri proprii	34			
II. PRIME DE CAPITAL	35			3,584,392
III. REZERVE DIN REEVALUARE	36			
IV. REZERVE	37	69,148	164,559	210,693
Actiuni proprii	38			
Castiguri legate de instrumentele de capitaluri proprii	39			
Pierderi legate de intrumentele de capitaluri proprii	40			
V. PROFITUL SAU PIERDEREA REPORTAT	41	909,000	1,245,333	1,946,844
SOLD D	42			
VI. PROFITUL SAU PIERDEREA EXERCITIULUI FINANCIAR SOLD C	43	13,156		
SOLD D	44		1,042,882	74,373
Repartizarea profitului	45			
CAPITALURI PROPRII - TOTAL	46	3,894,129	5,238,091	16,714,197
Patrimoniul public	47			
Patrimoniul privat	48			
. CAPITALURI - TOTAL	49	3,894,129	5,238,091	16,714,197

Bittnet Profit Account

Indicator	nr	30-iun.-17	30-iun.-18	30-iun.-19
1. Cifra de afaceri netă	1	8,514,633	12,212,929	13,026,862
Productia vanduta	2	4,863,444	7,870,206	7,855,350
Venituri din vanzarea marfurilor	3	3,651,189	4,409,597	5,171,512
Reduceri comerciale acordate	4		66,874	
Sold D	8	58,062	19,914	626,242
3. Productia realizata de entitate pentru scopurile sale proprii si capitalizata	9			
4. Venituri din reevaluarea imobilizarilor corporale	10			
5. Venituri din productia de investitii imobiliare	11			
6. Venituri din subventii de exploatare	12			
7. Alte venituri din exploatare	13	195	3,014	897,259
- din care, venituri din fondul comercial negativ	14			
- din care, venituri din subventii pentru investitii	15			
VENITURI DIN EXPLOATARE - TOTAL	16	8,456,766	12,196,029	13,297,879
8.a)Cheltuieli cu materiile prime si materialele consumabile	17	461,184	33,962	712
Alte cheltuieli materiale	18	133,606	212,783	351,543
b)Alte cheltuieli externe	19	24,413	12,828	9,753
c)Cheltuieli privind marfurile	20	2,774,200	3,704,839	4,887,468
Reduceri comerciale primite	21		110,639	72,122
9. Cheltuieli cu personalul	22	525,656	377,377	243,484
a) Salarii si indemnizatii	23	428,473	369,084	238,236
b) Cheltuieli cu asigurarile si protectia sociala	24	97,183	8,293	5,248
10.a) Ajustări de valoare privind imobilizările corporale si necorporale	25	40,991	40,292	308,173
a.1) Cheltuieli	26	40,991	40,292	308,173
a.2) Venituri	27			
b) Ajustări de valoare privind activele circulante	28	-	-	-
b.1) Cheltuieli	29			
b.2) Venituri	30			
11. Alte cheltuieli de exploatare	31	4,164,771	8,502,164	7,548,133
11.1. Cheltuieli privind prestatile externe	32	4,150,818	8,494,409	7,199,802
11.2. Cheltuieli cu impozite, taxe si varsaminte asimilate; ch. reprezentând transferuri si contributii datorate în baza unor acte speciale	33	20	440	3,591
11.3. Cheltuieli cu protectia mediului înconjurator	34			
11.4 Cheltuieli din reevaluarea imobilizarilor corporale	35			
11.5. Cheltuieli privind calamitatile si alte evenimente similare	36			
11.6. Alte cheltuieli	37	13,933	7,315	344,740
Cheltuieli cu dobânzile de refinantare înregistrate de entitățile radiate din Registrul general si care mai au in derulare contracte de leasing	38			
Ajustări privind provizioanele	39	-	-	-
- Cheltuieli	40			
- Venituri	41			
CHELTUIELI DE EXPLOATARE - TOTAL	42	8,124,821	12,773,606	13,277,144
PROFITUL SAU PIERDEREA DIN EXPLOATARE:				
- Profit	43	331,945	-	20,735

Indicator	nr	30-iun.-17	30-iun.-18	30-iun.-19
- Pierdere	44	-	577,577	-
12. Venituri din interese de participare	45			
- din care, veniturile obtinute de la entitatile afiliate	46			
13. Venituri din dobânzi	47	453	38,096	700,952
- din care, veniturile obtinute de la entitatile afiliate	48			626,005
14. Venituri din subventii de exploatare pentru dobânda datorata	49			
15. Alte venituri financiare	50	26,119	127,569	216,055
- din care, venituri din alte imobilizari financiare	51			
VENITURI FINANCIARE – TOTAL	52	26,572	165,665	917,007
16. Ajustări de valoare privind imobilizările financiare si investitiile financiare deținute ca active circulante	53	-	-	-
- Cheltuieli	54			
- Venituri	55			
17. Cheltuieli privind dobânzile	56	244,732	479,074	849,061
- din care, cheltuieli in relatia cu entitatile afiliate	57			
Alte cheltuieli financiare	58	91,128	151,896	157,403
CHELTUIELI FINANCIARE – TOTAL	59	335,860	630,970	1,006,464
PROFITUL SAU PIERDEREA FINANCIAR				
- Profit	60	-	-	-
- Pierdere	61	309,288	465,305	89,457
VENITURI TOTALE	62	8,483,338	12,361,694	14,214,886
CHELTUIELI TOTALE	63	8,460,681	13,404,576	14,283,608
18. PROFITUL SAU PIERDEREA BRUT	0			
- Profit	64	22,657	-	-
- Pierdere	65	-	1,042,882	68,722
19. Impozitul pe profit	66	9,501		5,651
20. Impozitul specific unor activități	67			
21. Alte impozite ne reprezentate la elementele de mai sus	68			
22. PROFITUL SAU PIERDEREA NET	0			
- Profit	69	13,156	-	-
- Pierdere	70	-	1,042,882	74,373

CONSOLIDATED FINANCIAL STATEMENTS

Indicator	nr	30-iun.-17	30-iun.-18	30-iun.-19
A. ACTIVE IMOBILIZATE				
I. IMOBILIZARI NECORPORALE	1	176	2,326,583	22,592,970
din care Fond comercial			2,169,643	16,833,805
II. IMOBILIZARI CORPORALE	2	7	1,528	1,610,342
III. IMOBILIZARI FINANCIARE	3	-	-	0
Titluri puse in echivalenta	3		-	106,145
ACTIVE IMOBILIZATE - TOTAL	4	183	2,328,111	24,309,457
B. ACTIVE CIRCULANTE	0			
I.STOCURI	5	1.440.596	806,490	3,477,930
II.CREANTE	6	19.973.980	17,910,097	26,488,422
III. INVESTITII PE TERMEN SCURT	7	-	-	-
IV. CASA SI CONTURI LA BANCII	8	3.304.184	15,586,552	15,222,500
ACTIVE CIRCULANTE - TOTAL	9	24.718.760	34,303,139	45,188,852
C. CHELTUIELI IN AVANS	10	733	1,820,056	2,261,829
Sume de reluat într-o perioada de până la un an	11		893,115	965,652
Sume de reluat într-o perioada mai mare de un an	12		926,941	1,296,177
D. DATORII: SUMELE CARE TREBUIE PLATITE INTR-O PERIOADA DE PANA LA UN AN	13	17.311.744	16,043,564	29,598,964
E. ACTIVE CIRCULANTE NETE/DATORII CURENTE NETE	14	7.817.325	19,152,690	16,555,540
F. TOTAL ACTIVE MINUS DATORII CURENTE	15	8.323.148	22,407,742	42,161,174
G. DATORII:SUMELE CARE TREBUIE PLATITE INTR-O PERIOADA MAI MARE DE UN AN	16	4.291.461	15,738,958	28,942,313
H. PROVIZIOANE	17	41	-	-
I. VENITURI IN AVANS	18	-	-	-
J. CAPITAL SI REZERVE	0			
I. CAPITAL	29	3.733.095	4,871,081	11,046,641
1. Capital subscris varsat	30	3.733.095	4,871,081	11,046,641
2. Capital subscris nevarsat	31	-	-	-
3. Patrimoniul regiei	32	-	-	-
4. Patrimoniul institutelor naționale de cercetare-dezvoltare	33	-	-	-
5. Alte elemente de capitaluri proprii	34		-	-
II. PRIME DE CAPITAL	35	-	-	3,584,392
III. REZERVE DIN REEVALUARE	36	-	-	-
IV. REZERVE	37	92	164,559	210,693
Rezerve consolidate	37		10	(5,549)
Actiuni proprii	38		-	-
Castiguri legate de instrumentele de capitaluri proprii	39		-	-
Pierderi legate de intrumentele de capitaluri proprii	40		-	-
V. PROFITUL SAU PIERDEREA REPORTAT	41	-	1,221,969	3,261,338
SOLD D	42	42	-	-
VI. PROFITUL SAU PIERDEREA EXERCITIULUI FINANCIAR SOLD C	43	207	411,165	-
SOLD D	44		-	5,049,991
Repartizarea profitului	45	-	-	-
IX. INTERESE MINORITARE din care SOLD C	43		-	171,337
Sold D	44		-	-
CAPITALURI PROPRII - TOTAL	46	3.990.740	6,668,784	13,218,861

Indicator	nr	30-iun.-17	30-iun.-18	30-iun.-19
Patrimoniul public	47		-	-
Patrimoniul privat	48		-	-
. CAPITALURI - TOTAL	49	3.990.740	6,668,784	13,218,861

CONSOLIDATED PROFIT AND LOSS ACCOUNT

DESCRIERE	NR	30-iun.-17	30-iun.-18	30-iun.-19
1. Cifra de afaceri netă	1			39,747,226
		22,693,241	23,125,840	
Producția vândută*	2	18,429,265	9,001,685	10,325,552
Venituri din vânzarea mărfurilor*	3	4,263,976	14,191,029	29,421,674
Reduceri comerciale acordate	4	-	66,874	-
Sold C	7	-	108,096	159,552
Sold D	8	58,062		
3. Producția realizată de entitate pentru scopurile sale proprii și capitalizată	9	-	-	-
4. Alte venituri din exploatare	10	47,167	5,570	501,535
- din care, venituri din fondul comercial negativ	11	-	-	-
- din care, venituri din subvenții pentru investiții		-		-
VENITURI DIN EXPLOATARE - TOTAL	12	22,682,346	23,023,314	40,089,209
5. a) Cheltuieli cu materiile prime și materialele consumabile	13	478,059	41,752	45,223
Alte cheltuieli materiale	14	138,918	216,051	543,876
b) Alte cheltuieli externe (cu energie și apă)	15	333	12,828	25,537
c) Cheltuieli privind mărfurile	16	3,375,338	10,920,239	27,628,966
Reduceri comerciale primite	17	254,499	531,250	480,028
6. Cheltuieli cu personalul	18	1,504,535	763,518	3,486,580
a) Salarii și indemnizații	19	1,226,820	746,898	3,410,087
b) Cheltuieli cu asigurările și protecția socială	20	277,715	16,620	76,493
7.a) Ajustări de valoare privind imobilizările corporale și necorporale	21	51,119	51,813	545,788
a.1) Cheltuieli	22	51,119	51,813	545,788
a.2) Venituri	23	-	-	-
b) Ajustări de valoare privind activele circulante	24	(1)	-	-
b.1) Cheltuieli	25	-	-	-
b.2) Venituri	26	1	-	-
8. Alte cheltuieli de exploatare	27			
		16,844,167	10,396,012	12,409,876
8.1. Cheltuieli privind prestațiile externe	28			11,989,147
		16,844,167	10,387,359	
8.2. Cheltuieli cu alte impozite, taxe și vărsăminte asimilate	29	164	740	15,790
8.3. Alte cheltuieli	30	3,471	7,913	404,939
CHELTUIELI DE EXPLOATARE - TOTAL	35	22,169,937	21,870,963	44,205,818
PROFITUL SAU PIERDEREA DIN EXPLOATARE:				
- Profit	36	512,409	1,946,181	447,548
- Pierdere	37	-	-	4,116,609

DESCRIERE	NR	30-iun.-17	30-iun.-18		30-iun.-19
9. Venituri din interese de participare	38	-	-		-
- din care, veniturile obținute de la entitățile afiliate	39	-	-		-
11. Venituri din dobânzi	42	727	2,885		122,476
- din care, veniturile obținute de la entitățile afiliate	43	-	(35,211)		46,862
Alte venituri financiare	44	101,839	135,686		394,544
VENITURI FINANCIARE – TOTAL	45	102,566	138,571		517,020
12. Ajustări de valoare privind imobilizările financiare și investițiile financiare deținute ca active circulante	46		-		-
- Cheltuieli	47	-	-		-
- Venituri	48	-	-		-
13. Cheltuieli privind dobânzile	49	268,258	533,678		933,595
- din care, cheltuielile în relația cu entitățile afiliate	50	-	(32,821)		-
Alte cheltuieli financiare	51	129,862	151,896		434,553
CHELTUIELI FINANCIARE – TOTAL	52	39,812	685,574		1,368,148
PROFITUL SAU PIERDEREA FINANCIAR(Ă):					
- Profit	53	-	-		-
- Pierdere	54	295,554	547,003		851,128
VENITURI TOTALE	61	22,784,912	23,161,885		40,606,229
CHELTUIELI TOTALE	62	22,568,057	22,556,537		45,573,966
PROFITUL SAU PIERDEREA BRUT(Ă):					
- Profit	63	216,855	605,348		-
- Pierdere	64	-	-		4,967,737
18. Impozitul pe profit	65	9,501	194,183		5,651
20. Impozitul specific unor activități	66	-	-		-
			-		17,496
20. PROFITUL SAU PIERDEREA NET(Ă) A PERIOADEI:			-		-
- Profit	67	207,354	411,165		-
- Pierdere	68	-	-		4,990,884
22. PROFITUL SAU PIERDEREA intereselor minoritare					25,500
- Profit (rd. 64 - 65 - 66 - 67 - 68)		207,354		411,165	
- Pierdere (rd. 65 + 66 + 67 + 68 - 64)		-			5,049,991

*In order to consolidate the historical financial results of Dendrio Solutions SRL and Bittnet Systems SA AND to provide a clear, fair and understandable picture of the financial position, the financial results of Dendrio Solutions SRL have been restated in the sense of applying the same income and expense classification rules as at Bittnet Systems SA. In particular, it is about recognizing revenue from the sale of electronically licensed software (Microsoft, Autodesk, etc.).

In case of Dendrio Solutions, historically, these sales were recorded in the 704 account as electronic services, and in the Bittnet results they are listed as merchandise (Account 707). For the unit, the consolidated financial results render the Dendrio history, presenting it according to the rules applied by Bittnet.

STATEMENT OF CONSOLIDATED CASH FLOWS

1. + Profit sau pierdere	- 5.049.991
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2. + Amortizari și provizioane	545.789
3. - Variația stocurilor (-/+)	+ 2.639.699
4. - Variația creanțelor (-/+)	- 13.917.601
5. + Variația datoriilor comerciale (-/+)	+ 376.850
6. + Variația altor datorii (-/+)	+ 6.587.920
7. += Flux de numerar din activitatea de exploatare (A)	+ 13.738.470
8. - Investiții efectuate - total, din care:	- 77.169
9. += Flux de numerar din activitatea de investiții (B)	+ 77.169
10. + Variația sumelor datorate instituțiilor de credit (=)-total, din care	
11. + Credite pe termen scurt (sub un an)	- 5.710.374
12. + Credite pe termen mediu și lung	- 9.389.700
13. += Flux de numerar din activitatea financiară (C)	- 15.100.074
14. - Variația altor elemente de activ (-/+)	- 327.160
15. + Variația altor elemente de pasiv (-/+)	+ 3.785.013
16. += Flux de numerar din alte activități (D)	+ 3.457.853
17. + Disponibilități bănești la începutul perioadei	13.049.082
18. += Flux de numerar net (A+B+C+D)	2.173.418
19. + Disponibilități bănești la sfârșitul perioadei	15.222.500

Decision of EGSM from 24.04.2019 for amending the Shareholder Agreement

In accordance with:

1. The convening notice for the EGSM published on the Company's website <http://www.bittnetsystems.ro/investors/> on March 20, 2019, in The Official Monitor of Romania, Part IV, number 1302 / March 22, 2019 and in the newspaper Ziarul Bursa of March 22, 2019
2. The provisions of the Companies Law no. 31/1990, republished, with the subsequent amendments and completions (Law no. 31/1990);
3. The provisions of Law no. 297/2004 regarding the capital market, with the subsequent modifications and completions (Law no. 297/2004);
4. The provisions of Law no. 24/2017 regarding the issuers of financial instruments and market operations, as subsequently amended and completed (Law no. 24/2017);
5. The provisions of CNVM Regulation no. 1 from 2006 regarding the issuers and the operations with securities, with the subsequent modifications and completions (Regulation no. 1/2006);
6. The provisions of CNVM Regulation no. 6/2009 regarding the exercise of certain rights of the shareholders in the general meetings of the companies, with the subsequent modifications and completions (Regulation no. 6/2009);

The shareholders have decided upon the items on the EGSM agenda as it follows:

Item 1

Approval of the increase of the share capital with the amount of 5,523,320.50 lei by issuing 55,233,205 new shares with a nominal value of 0.1 lei / share, for the benefit of the shareholders registered in the Register of Shareholders kept by the Central Depository at the registration date to be established of AGA. The distribution of newly issued shares will be made 1 free action for every 1 share held. The increase of the share capital will be realized by using the following sources:

- a. the capitalization of the non-distributed net profits for the year 2017 in the amount of 1,245,333.22 lei;
- b. capitalization of the issue premiums amounting to 2,594,888.94 lei,
- c. the capitalization of the amount of 1,683,098.34 lei from the distributed profit of the year 2018.

Approval of the registration date (defined as the date that serves to identify the shareholders on which the decision is based) - proposal 08.07.2019 and ex-date: - proposal 05.07.2019, payment date: proposal - 09.07.2019.

This decision was adopted with 45,675,580 votes representing 88.2531% of the total votes held by the shareholders present or represented, in the form presented above.

The votes were recorded as follows: - 45,675,580 votes "for", - 0 votes "against", - 0 votes in "abstention".

The art. 6 of the constitutive act regarding the structure of the share capital and the constitutive act is updated:

Art. 6 The share capital

6.1 At the date of adoption of this Articles of Incorporation, the Company has a registered capital of registered and paid up capital of 11,046,641 lei divided into 110,466,410 ordinary shares, nominative, indivisible, of equal value, issued in dematerialized form, each with a nominal value of 0.1 lei.

6.2 The shareholder quality of Bittnet Systems SA is attested by the statement of account issued by the Depozitarul Central SA.

6.3 The identification data of each shareholder, each contribution to the share capital, the number of shares to which he is entitled and the share of participation from the total share capital are included in the Register of shareholders kept in the computerized system by the Central Depository.

6.4 At the date of the present constitutive act, the company has registered a number of 674 shareholders of which:

- 17 shareholders legal entities, holding 13,941,524 shares representing 12.6206% of the share capital;*
- 657 natural persons shareholders, holding a number of 96,524,886 shares representing 87.3794% of the share capital.*

as it results from the List of holders of financial instruments issued by BITTNET SYSTEMS S.A., the BNET symbol, issued by the Central Depository.