

SEMIANNUAL REPORT - 1ST HALF OF 2018

Semiannual report according to ASF Regulation nr. 5/2018 on the issuers of financial instruments and market operations	
For the financial exercise	01.01.2018 - 30.06.2018
Report date	31 st of August 2018
Company name	BITTNET SYSTEMS S.A.
Registered office	Șoimuș Street, no. 23, bl.2, ap. 24, District 4, Bucharest
Mailing Address / Place of Business Conduct	No 26, Timisoara blvd ,6th district, Bucharest, Plaza Romania Offices PRO-01 - 1st floor Postal code: 061331
Telephone/Fax number	021.527.16.00 / 021.527.16.98
Sole Registration Code	21181848
Trade Register Number	J40/3752/2007
Market on which the issued securities are traded	AeRO ATS Premium
Subscribed and paid up share capital	4 871 081,20 RON
Main characteristics of the securities issued by the company	48 710 812 shares with nominal value of 0.1 lei – BNET symbol 4 186 bonds with nominal value of 1000 lei – BNET19 symbol 45 000 bonds with nominal value of 100 lei – BNET22 symbol

MESSAGE FROM CEO	3
1. SIGNIFICANT EVENTS TO REPORT 2018	7
EXTENTION CISCO CERTIFIED GOLD PARTNER STATUS JANUARY 2018	7
SPECIAL PRIZE FROM BUCHAREST STOCK EXCHANGE FEBRUARY 2018	7
IMPROVING OF THE FINANCING STRUCTURE FEBRUARY AND MAY 2018	7
ANNOUNCING ACQUISITION ELIAN SOLUTIONS AND EQUATORIAL MARCH 2018	8
BITTNET INVESTORS DAY APRIL 2018	8
GENERAL SHAREHOLDERS MEETING APRIL 2018	8
SHAREHOLDER STRUCTURE APRIL 2018	9
SIGNIFICANT CONTRACT MAY 2018	9
FREE SHARES REGISTRATION JUNE 2018	9
INTRODUCTION OF DENDRIO BRAND AND GROUP STRUCTURE JUNE 2018	9
BNET23 CORPORATE BONDS JUNE 2018	9
BNET BONDS COUPON PAYMENTS FIRST SEMESTER 2018	10
TRAINING IT LEADER	10
SALES ACTIVITY	11
MARKETING ACTIVITY	13
TECHNICAL TEAM	17
OPERATIONAL EXCELLENCE	18
SHARE PRICE	19
ABOUT CORPORATE BONDS ISSUES	19
HR ACTIVITY	22
2. GROUP FINANCIAL ACTIVITY	23
BALANCE SHEET	23
PROFIT AND LOSS ACCOUNT	26
3. GROUP COMERCIAL ACTIVITY	29
3.1. Presenting and analyzing trends, elements, events or uncertainty factors that affect or could affect the liquidity of the trading company, as compared to the same period last year.	29
RISKS IDENTIFIED BY THE ISSUER	30
3.2. Analyze the effects on the financial position of the Company of all capital, current or anticipated capital expenditures (specifying the purpose and sources of financing of these expenditures), compared to the same period last year.	36
3.3. Reviewing and analyzing events, transactions, and economic changes that significantly affect earnings from core business. Specify the extent to which the revenue of each identified item has been affected. Comparison with the corresponding period last year.	37
4. CHANGES AFFECTING CAPITAL AND ADMINISTRATION OF THE COMMERCIAL SOCIETY	38
4.1. Description of cases in which the company was unable to meet its financial obligations during that period	38
4.2. Description of any change in the rights of the holders of securities issued by the company.	38
5. INTRAGROUP TRANSACTIONS	39
BITTNET SYSTEMS SA TO DENDRIO SOLUTIONS SRL	39
DENDRIO SOLUTIONS SRL TO BITTNET SYSTEMS SA	39
6. SIGNATURES AND DECLARATIONS ACCORDING TO ARTICLE 123 (2), POINT B, OF C OF AM 1 / 2006	39
7. TARGETS FOR 2018	40
8. ANNEXES	41
8.1. BALANCE SHEET	41
8.2. PROFIT AND LOSS ACCOUNT	41
8.3 CASH FLOW STATEMENT	41

MESSAGE FROM THE CEO

Year 2018 marked the beginning of the second decade of existence for Bittnet. Over the years we have reinvented ourselves many times and we have always strived to grow according to the same framework of values and principles that we have had since we started our journey back in 2007. We plan to continue along the same path for the next 10 years.

We are grateful to all our private and institutional investors who have believed in the Bittnet project. In January 2012 we have received our first investment from angel investor Răzvan Căpățină, who until today remains an important shareholder of Bittnet. Since becoming the first Romanian IT company listed on the Bucharest Stock Exchange in April 2015, hundreds of new shareholders gave us their vote of confidence and believed in our growth plans. On June 30th, 2018, we had more than 500 shareholders and over 200 bondholders. Since listing, the company's valuation increased sevenfold: from 1.5 million euro to nearly 11 million euro on July 3, 2018. We are excited about what the future holds!

If last year's key project was the acquisition of Gecad Net from Romanian entrepreneur Radu Georgescu, 2018 was important because of the transformation from a company with two business lines (IT training and IT integration) into a group of companies with focus on two areas of traditional activity: education and technology. In the first quarter of 2018, a brand audit conducted by Rusu+Bortun firm revealed the need for a creation of a new brand for multi-cloud integrator activity. We often joked that 'our success as a training company overshadows our results as an IT integrator' as the name Bittnet is very strongly associated with IT training activities – rightly, since we are leader on this market. However, this situation had also less satisfying component, which was the fact that the activity that generated ¾ of the turnover, that is the IT integration, was less known to the market.

Today, technology brands are also innovating at level of brand, not only through the solutions they offer. Therefore, we decided to develop a new brand for IT integration services: **dendrio**, in the context of the acquisition of Gecad Net. The name derives from dendrite, an essential part of the human cognitive process, and is positioned as a 'clever guide' that helps customers keep up with the world of technology. '**Your Journey. Upgraded.**' is the promise of the new brand that brings competitive advantages to its customers: speed of reaction, optimization, safety.

Migrating to a group structure required by Gecad Net acquisition has generated more positive results than expected, one of them being the fact that we could easily and clearly confirm our position that the IT market needs to be strengthened. Thus, in 2018, two new investment projects were born, expanding the Group's coverage in the two areas of activity: education and technology, which materialized through our investments in Elian Solutions and Equatorial Gaming.

Each of these investments fits 'bolt-on' with the areas of activity of the Bittnet group. Equatorial is a mobile platform based on 'game-based learning' concept, which represents the present and future of adult education, Elian Solutions is a company that integrates ERP systems based on Microsoft Dynamic NAV technology and being Microsoft's only Gold Certified Partner in Romania in this domain. Therefore, in the technology area (IT integration), our group strengthens our competitive position by adding a third Gold Certification to the portfolio, alongside Cisco Gold Partner and Microsoft Gold (Cloud Platform & Cloud Productivity) titles.

While dendrio aims to be the leader of the multi-cloud integration market, offering comprehensive and complex solutions (from structured cabling, network infrastructure, servers and PCs, wireless, teleconferencing, computer security, operating systems, antivirus, productivity applications to ERP)

hosted both 'on-premise' and 'managed services' and hosted in public cloud-capable public infrastructures, Equatorial adds to the 'education' area the most modern manner of learning – through the mobile technology, which offers environment of interaction, guiding the pedagogical process. The Equatorial approach is open to all kinds of trainings, providing a solution that is not a replacement but an auxiliary.

From the operational point of view, the first semester was dedicated to the integration of the Bittnet and dendrio teams (the new company resulting from Gecad Net's rebranding process) at the level of organization, processes flow, procedures and services portfolio. Currently, IT infrastructure, sales team, technical team and a unified operations team allow us to enjoy economies of scale, addressing both customers and suppliers under the motto of "One Single Organization"

The integration of teams, procedures and vision is a lengthy process, but it fits with the Kaizen philosophy we already apply at Bittnet. We think that the change is good, that it is an element that defines us and that the agility as well as the ability to continually evolve in a fast pace is what our clients have always appreciated in us in all these years of our activity. Our goal is to continue the organizational approach based on constant evolution, since we operate in a general economic environment characterized by the speed and thrill of change. Also, our industry, IT, is probably the most powerful representative of these ever-changing paradigms. This means that the expectations of our clients and partners are constantly changing and our organization has been successful so far mostly because we have been able to meet these expectations always. The key expectation that never changes though is to continuously offer relevant solutions, to be a reliable partner whose performance and technical expertise can be depended upon and to always deliver better than promised. Fitting within the budgets and deadlines was, is and will always be appreciated by the clients, being our 'signature' as a valuable partner.

With the acquisition of Gecad Net we have gained a team of experienced professionals, which allowed us to return to the "right" management structure - the sales team is coordinated since January 2018 by Șerban Prejoianu (former Commercial Director at Gecad Net, having more than 20 years of experience in the IT industry) and the technical team that ensures the delivery of services is coordinated by Cristian Ionescu, MBA.

One of our strategic goals remains to be the company of reference when it comes to quality of corporate governance and investor relations. We believe in transparency and we always do our best to offer our shareholders all the information that we would have liked to receive if the roles were to be reversed. In the first half of 2018, we have received a special award from the Bucharest Stock Exchange during the "Inauguration of the Stock Exchange Year" event in the Issuer with the most active usage in 2017 of capital market financing opportunities category. This award was the recognition for actively using capital markets in order to attract financing for growth as well as our open demeanour towards our shareholders.

In line with this recognition, we intend to continue our capital markets activities and operations under the same successful patented model, which includes the full capitalization of profits through distribution of free shares accompanied by capital increases with new contributions at prices that provide significant return to investors while ensuring injection of fresh capital to the company.

General Shareholder's Meeting from April 2018 has approved two of such increases, out of which the first one, which consists of distribution of free shares, was already realized and the shares were distributed by the Central Depository into the shareholders accounts on July 3rd, 2018. As far as the

second one goes, the increase with new contributions, we plan to issue in the coming period 3,044,426 shares that will be offered to investors at a price per share of RON 0.95 lei (RON 0.1 nominal value and RON 0.85 issue premium). This operation, which will be preceded by the period of trading of preference rights, will begin as soon as the ASF visa is issued on the capital increase prospectus.

Now, focusing on the numbers per se - this is the first time that we are presenting to our shareholders the consolidated financial results of Bittnet Systems SA as well as Dendrio Solutions SRL, company formerly known as Gecad Net. In this context, it gives us a lot of satisfaction to present to you the financial results that show that H1 2018 was the best first semester that the company has had to date in terms of both revenues as well as net profit. As a matter of fact, the revenues recorded by Bittnet Group in H1 2018 are higher than the cumulated turnover from the first 8 years of Bittnet's activity.

In the 6 months since the beginning of the year we have witnessed an increase of 3% in revenues compared to the same period last year and a doubling of the profitability, from RON 207K to RON 433K in H1 2018. At the level of EBITDA, the same evolution is being observed, indicator reacting RON1,4 million, double when compared to H1 2017 results. When we take into consideration the fact that in 2017, there was a large, atypical and unrepeatable one-off project that was delivered by Gecad Net that valued estimated 35% of the total turnover, we can say that the so far performance in 2018 is a solid one, representing an actual increase of 32% when compared to the same period of 2017. This once again confirms the validity of strategic development directions that we have undertaken in the past years, which include focusing on strengthening our position of a leader in the IT training market, the cloud and cybersecurity technology trends as well as strengthening strategic partnerships. We will keep following the same directions also in the coming period 2018-2020.

The increase in the revenues registered in the first half of this year was supported by the two business lines, IT Training as well as Integration & Cloud. IT Training increased with 8,5% compared to the first half of 2017, while cloud integration and migration services have increased by as much as 37% over the same period. This growth rate differential is normal because the training business is, overall, a much smaller one than the integration one, and the "cloud migration" market is a new market that has only emerged 3-5 years ago in Romania.

Thus, it is easier to grow strong on a market where Bittnet's market share is below 1%, rather than one where we are already market leaders. On the other hand, the IT Training is a "load factor" or "critical mass" business typology. After exceeding a certain total volume threshold, less spectacular volume increases can generate strong gains in profitability.

These encouraging results confirm our intention to keep building and increasing presence of Bittnet abroad. In the coming years, we plan to step up these international development efforts in order to mitigate the risks of dependence on the internal market and to capitalize on business opportunities with a higher gross margin than those available on the domestic market. During our April 2018 GSM, we have gotten the mandate from our shareholders to set up legal entities abroad, in order to benefit from partnership programs of technology producers and regional expansion opportunities.

In the Integration & Cloud division and its associated services, the very good result comes from increasing our customer base as well as diversifying the range of services offered to recurring customers. This has also been strongly supported by the fact that with the acquisition of former Gecad Net, we have also broadened the portfolio of our services. At the same time, the high level of technical competences, which has been reconfirmed by all technology partners through the process of renewal or extension of our certifications, encourages both end-customers as well as intermediaries who

subcontract us to build components from larger projects.

These intermediaries are, in fact, trading partners to whom we generally refer to as 'strategic partners', along with whom we approach various market segments where we feel that the associated risks do not fit into our overall policy. Forming strategic partnership reduces these risks, giving us a chance to focus on what we know to do in order to reach good profitability.

The interest of companies in the public cloud, a domain where Bittnet is the only multi-cloud partner in Romania, have grown significantly. We have identified this strategic direction at the beginning of 2015 and the results obtained in H1 2018, combined with the pipeline of projects with a winning potential for the next 12 months, lead us to allocate more resources in this direction. In line with that, the distribution of the results of the Cloud division on a significantly larger number of customer and opportunities is also equally important. Here we are talking about a 6-fold increase in the number of cloud projects, where dendrio offers a unique palette of consulting, migration and infrastructure optimization services as well as managed services for AWS, Azure platforms and Google Apps for Business.

Generally speaking, as in previous years, revenue from services exceeded revenues from sale of equipment, which confirms the decision made in early 2015 to align the interests of all actors (sales team, managers, shareholders) by exclusively awarding the gross margin generated by each project. Thus, the entire company is focused on identifying and delivering value-added projects to customers, as opposed to "building the turnover". Moreover, this approach reduces the risks associated with 'record' projects, which means large figures and implicitly high financial risks but with limited profitability.

These financial results reconfirm the operational - financial model on which the business is built, about which the shareholders can read in the Shareholder's Manual, available at: <https://investors.bittnet.ro/bittnet-owners-manual/>.

Investments in Elian and Equatorial Gaming, approved at the General Shareholder's Meeting in April 2018, are finalized by the time this report is published. While Equatorial will retain its independence, being part of the group and following a cross-sell incentive model, team of Elian will follow an integration model similar to the one which was applied in dendrio / Gecad Net case. Elian's financial results will be consolidated in the group's performance as of H1 2019.

We remain also committed to analysing new market consolidation opportunities, provided that they are consistent with our business model and values. The need to strengthen the local IT market, a need that we have consistently mentioned in the previous reports, has also been recognized by other actors, as new transactions have materialized in the past 6 months, including taking over local players or entering the market by international players.

We are very confident in our team, in the evolution that our organization has underwent during the past 12 months as well as in all marketing, sales and operational efforts made during this period. We look forward to the second half of the fiscal year 2018 in order to achieve the bold operational and financial goals we have set for ourselves!

We do not plan to slow down in any near future as we have set ourselves an ambitious goal of reaching a milestone of RON 100 million (EUR 21,5 million) in revenues by 2020 and we are confident that we will get there in time. Early in our history, we have boldly assumed the role of the pioneers in the Romanian IT industry and we remain committed to this goal by consistently challenging our position in this market.

We invite you to review the results presented on the following pages, which show the growth we have made in the last 6 months. We also encourage you to send us your feedback on our report as well as our performance. In line with our policy of openness and dialogue with shareholders, we take investors seriously and are always welcome. So do not hesitate to contact us at investors@bittnet.ro.

Mihai Logofatu

CEO

1. Significant events in the first half of 2018

CISCO Certified Gold Partner Status Extension | January 2018

On January 22nd, 2018, Bittnet received the extension of the 'CISCO Gold Certified Partner' status for 2018, 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. The status of "Cisco Certified Gold Partner" is verified and extended by the American vendor every year.

Recognition from the Bucharest Stock Exchange | February 2018

On February 20th, during the Inauguration of the 2018 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 2017 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.

Improved financing model | February and May 2018

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 a signing of a credit contract with ProCredit Bank in the amount of RON 697,000 with an interest rate of ROBOR6M+1,5% per year and 3 years maturity and monthly reimbursements.

The loans are intended to finance current activity, working capital and the development plans of Bittnet as well as Dendrio Solutions SRL (former GECAD NET SRL). At the same time, 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 also 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.

Announcement of planned acquisition of ELIAN Solutions and Equatorial Gaming | March 2018

With the publication of the convening notice for the 2018 General Shareholders' Meeting, it was officially announced that the Company wishes to acquire stake in two local companies – 51% stake in ELIAN Solutions SRL and 25% stake in Equatorial Gaming SRL. ELIAN Solutions is a company with over 10

years' experience in providing implementation services for the Enterprise Resource Planning (ERP) solution, Microsoft Dynamics NAV while Equatorial Gaming is a game-based learning company. ELIAN Solutions' portfolio perfectly completes the IT services and secured hybrid cloud solutions portfolio of **dendrio**, the integrator of the Bittnet Group, while the game-based learning platform of Equatorial Marathon fits well with the IT training solutions provided by Bittnet.

The acquisition of the stake was approved by the April GSM and at the end of July 2018, Bittnet has signed the first investment contract, for 51% stake in ELIAN Solutions. The signing of the second investment contract, for a 25% stake in Equatorial Gaming, took place at the beginning of August 2018.

Bittnet Investor Day | April 2018

On April 19th, 2018, Bittnet organized the very first edition of Bittnet Investor Day at the Company's headquarters in Bucharest. It was one of the first events of such sort in Romania and the Company has managed to host around 70 investors, shareholders, representatives of the local capital market as well as the media. During the event, the company's management has presented the strategy for the next years which focused on reaching a target of revenues on the Group level of RON 100 million by 2020, presented new brand **dendrio**, which has replaced what was formerly known as GECAD NET as well as hosted presentations of management from ELIAN Solutions and Equatorial Marathon.

General Shareholders' Meeting | April 2018

On April 25th, 2018, the General Shareholders' Meeting of the Company took place during which the shareholders have approved, among other points, the following items on the agenda:

- Extension of the administrator contract to Mr. Mihai Logofatu until June 30th, 2021;
- Extension of the financial director contract to Mr. Cristian Logofatu for two more years;
- Capital increase of the amount of RON 1.826.655,40, equal to the company's previous years' profits, by issuing 18.266.554 new shares with nominal value of RON 0,1 per share, to be distributed to shareholders at the registration date of June 29th, 2018. The allocation ration of the newly issued shares was 3 bonus shares for 5 shares held; fractions were not compensated;
- Increase of shared capital through new contributions (with pre-trade of the preference rights) – by offering 3.044.426 new shares to be offered for subscription at a price of RON 0.95 per share;
- Investment to acquire up to 51% of shares of company ELIAN Solutions SRL;
- Investment to acquire 25% of shares of company Equatorial Gaming SRL and financing with convertible loan for up to 20% of company's share capital;
- Issuance of convertible corporate bonds with a maximum value of RON 50 million;
- 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://bvb.ro/info/Raportari/BNET/BNET_20180425183237_Current-report---Results-of-shareholder-meeting---EN-docx.pdf

Information about shareholding thresholds | April 2018

On April 27th, the holding of Carpathia Capital SA in Bittnet's votes has dropped below the threshold of 5%. The change in the holding resulted from the sale of shares by trading on the secondary market. Prior to the sale, which took place on April 25th, 2018, Carpathia Capital held 1,522,214 shares, giving 5.000%

of votes at the General Shareholders' Meeting and after sale, it held 1,448,556 shares with 4.758% of votes at the GSM.

Significant contract | May 2018

On May 24th, the Company has informed the shareholders about signing of a significant contract with electronic household manufacturing producer for the development of a new production capacity in Dambovita county (a greenfield investment). Bittnet was contracted for the delivery of IT equipment, technological solutions and wi-fi installation services and the value of the contract was USD 450,000.

Registration of free shares | June 2018

On June 27th, 2018, the Certificate certifying the registration of the share capital increase with 18,266,544 free shares issued as a result of the GSM resolution from April 25th, 2018. The registration date was established for June 29th, 2018 and the payment date, that is the date on which the newly issued shares were available for trading, was July 2nd, 2018.

Following the registration of the free shares on July 2nd, the market capitalization of Bittnet has overpassed the historical level of RON 50 million.

Introduction of dendrio brand and new division structure | June 2018

In April 2018, during the Bittnet's Investor Day, the Company has officially launched dendrio, a new entity within Bittnet family, which combines IT integration services that were previously rendered under two separate brands – Bittnet and GECAD NET. Following this announcement, in June 2018, the company announced a new structure with the Group, focused on the following key domains of activity:

- Education, which currently consists of IT training segment where Bittnet is a market leader, and which in the future will also include any other education-based initiatives, including future integration of activities of Equatorial Gaming, a game-based learning company. Education activities will be carried out under Bittnet brand.
- 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 shared products, services and solutions portfolio and a larger team that allows for a bigger workload, both from technical and sales standpoint. In the near future, ELIAN Solutions, a company in which Bittnet took a 51% stake earlier this year, will complete the services offer by adding ERP solutions to the group's portfolio. Technology activities will be carried out under **dendrio** brand.
- At the same time, Bittnet aims to accelerate the development of the international division that started to take shape over the last two years and that is expected to generate increasing percentage of revenues. The responsibilities under this division include opening new offices abroad, expanding sales and delivery capacities across borders. International activities will also be carried out under Bittnet brand.

Private Placement for BNET23 bonds | June 2018

On June 26th, 2018, the private placement for Bittnet's 3rd placement of corporate bonds begun. The offering has closed on July 4th and the Company has managed to successfully raise RON 4.7 million. The majority of the capital raised is planned to fuel the acquisition of a 51% stake in ELIAN Solutions and 25% stake in Equatorial Gaming, while the remaining amount will be used as working capital.

The bonds have a face value of RON 100, a maturity of 5 years and a yearly coupon of 9%, payable quarterly. The placement was subscribed by 32 natural persons, 1 legal entity and 3 investment funds.

Due to the large interest coming from investors, the offering was closed 9 days ahead of the end of the subscription period, which was initially established for July 13th.

In accordance with the resolution of the Extraordinary General Shareholders' Meeting from April 25th, 2018, BNET23 bonds will be also listed on the ATS-Bonds market operated by the Bucharest Stock Exchange, under BNET23 symbol.

Payment of BNET bond coupons | H1 2018

In the first half of the year, the Company has paid coupons on both of its bonds – BNET19 and BNET22. For BNET19, the 7th coupon payment was made in April 2018 and the 8th coupon payment was made on July 2nd. For BNET22, the 2nd payment coupon was made on March 1st, 2018 and the payment for the 3rd coupon was done on May 29th, 2018. In cases of both BNET19 and BNET22, the company is up-to-date with the payment of the interest to its investors.

Consolidation of “IT Training market leader” position

As in previous years, Bittnet keeps growing the IT training division, positioning itself even stronger on the IT education sector by:

- Bittnet continues to be a market leader in delivering official Cisco courses in H1 2018;
- Beta version of Bittnet LMS platform was launched. Through this platform, the Company aims to provide a complete, centralized learning experience that in the future will provide a better cross-selling opportunity for Bittnet products and services portfolio;
- At the regional level, the Company is part of the LLPA Summit 2018, after successfully organizing LLPA Summit 2017 in Romania;
- We have increased the number of virtual class from 0 classes delivered in H1 2017 to 5 classes delivered in H1 2018. These classes include participants from all over the world;
- We have certified a Java trainer instructor who successfully took over and delivered the official Oracle Java & Middleware classes;

In the first half of 2018, Bittnet has trained 945 students, an increase when compared to 891 students in H1 2017. These students participated in 114 classes that were both public and private. The earnings and the margins are higher in H1 2018 than in H1 2017. In terms of total revenue, in H1 2018 Bittnet had sales of RON 3.39 million compared to RON 3.13 million in the same period of 2017, an estimated 8.5% increase in revenues for the first six months of the year.

The difference between H1 2017 and H1 2018, namely the larger number of students trained and larger revenues, is caused by the following factors:

- Increase in the number of students trained in Cisco official training category in H1 2018. Bittnet is the main local training partner to CISCO. The increase was from 109 trained students in H1 2017 to 120 students in H1 2018;
- Increasing the number of students in the Alternative Training category - from 60 students trained in H1 2017 to 155 students trained in H1 2018. This includes delivering courses on topics such as: Docker, JavaScript, Asp .NET, Angular, Chef, Ansible, Puppet, Infor BI, Xamarin, Scrum Master, ISTQB, C#, PHP Symphony, all of the top technologies used by companies or software development departments, a market segment that Bittnet is not addressing enough;
- Microsoft's official courses: In this category, Bittnet trained 385 students in H1 2018, compared with 314 students in the similar period of 2017. This growth is important as in this market

segment, Bittnet is facing a greater competition (10 authorized training centers plus the internal training departments of large companies);

- In H1 2018, 89 students were registered at an official ITIL Foundation course by Bittnet compared to 62 students in H1 2017;
- Increase in the number of Oracle students. In H1 2018, Bittnet trained 75 students on the subjects of Database, Unix and Linux as well as Java EE, compared to 65 students from the similar period in 2017;
- In H1 2018, number of trainees prepared trained by Bittnet on AWS technology has dropped from 103 in H1 2017 to 53. The drop is caused by a number of projects being pushed with the delivery date to the second half of the year. The projects in question take into consideration training of approximately 70 students.

Sales Activity

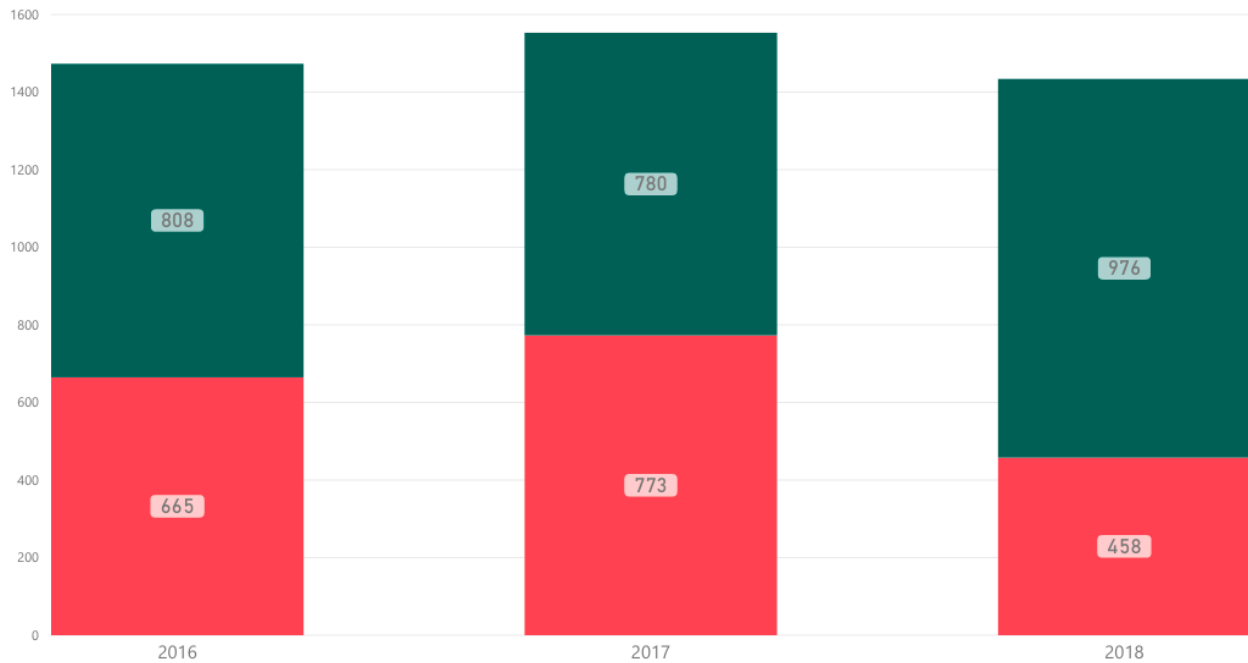
At the sales team level, Bittnet Group is in permanent recruitment process for sales positions for Bucharest and nearby counties. Today, Bittnet sales force includes 10 partners in Bucharest, 2 partners in Cluj, 1 partner per each of the following cities: Sibiu, Brasov, Iasi and Timisoara, 1 sales manager, 5 partners for back-office support, 4 product managers.

During the first half of fiscal year 2018, the sales team had a structured activity for increasing the average customer value in relation with Bittnet Group, as well as the identification of cross-selling opportunities between the products and the 'traditional' clients of each previous independent entities (Bittnet and dendrio).

At the same time, better tracking in the sales process and procedures through the automated CRM system has generated a high efficiency in sales activity. We have in particular implemented a change in how to handle recurring opportunities, reducing the number of opportunities the sales team has to manage to the strict minimum. For clarity, under the previous scenario (using Gecad Net CRM), projects that were signed for 1 year (or 3 years) but were invoiced monthly, generated 12 (or 36) opportunities (projects), although the sales team was needed to do specific sales activity only once every 12 (or 36) months. Now, under the new procedure the monthly billing was overtaken by the operational department, and the sales team only retains the responsibility for specific sales activity, such as contract renewal at maturity, releasing the time that was previously busy with "non-productive" activities.

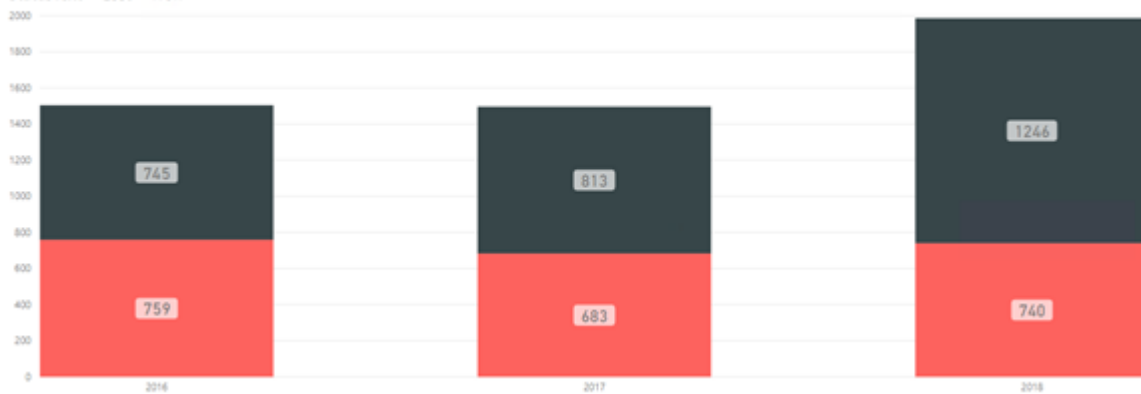
Furthermore, the successful closing rate of the identified opportunities is at very high level. More than 2 out of 3 identified sales opportunities are closing successfully, which is a very good conversion rate.

StatusText ● Lost ● Won



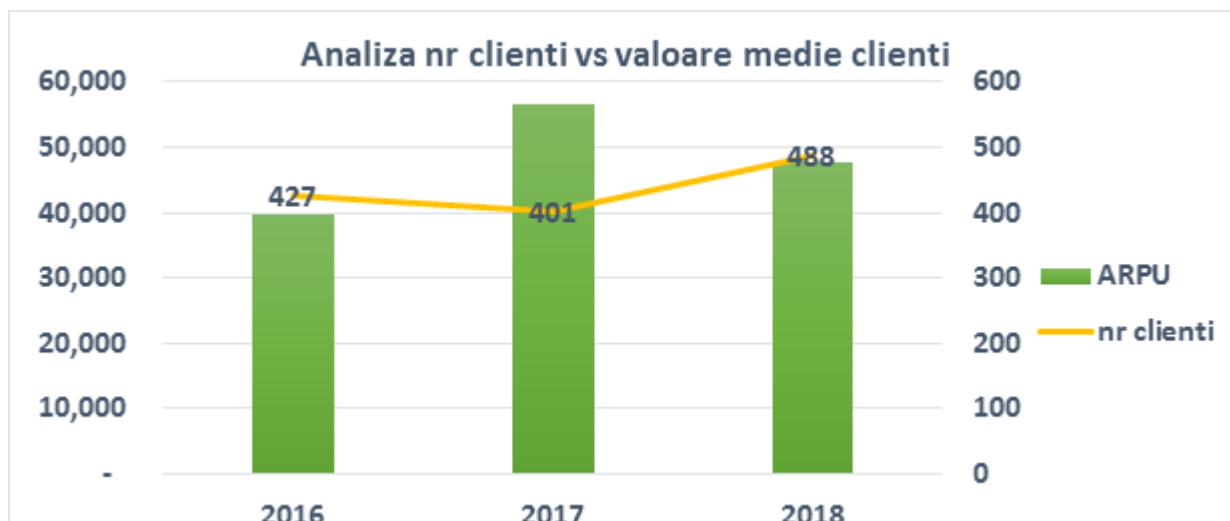
On the other hand, the sales team does not manage the projects in just one semester. The analysis of opportunities opened during the first semester and closed in the first half of 2018 compared to the first half of 2017 highlights the following:

StatusText ● Lost ● Won



Overall, 32% more opportunities were managed up until closure and the number of successfully closed opportunities has increased by 53%, with the successful closure percentage remaining similar to 2017. In other words, taking into account the total volume of opportunities that work over a period of time, almost 1 out of 2 opportunities is gained which, in our opinion, represents a conversion rate well above the average of the industry.

These rising but also absolute values are the result of the numerical growth of the team and a better structured and tracked needs of the analysis process that leads us to more quickly identify projects with real chances of winning, thus making time and resources more efficient.



From the perspective of revenues per client, this has dropped by 15% due to an accelerated increase in the number of clients (+20%). The overall revenue grew by 3%, a relatively small increase, which was caused by the fact that in 2017, Gecad Net has had a large one-off and unrepeatabe event that grew the revenues that year (the project was worth approximately 35% of the revenues for the period). Eliminating this one-off event, we see an increase in the revenues by 32% and an increase in revenues per client of approximately 9% compared to the same period of last year.

Marketing activity

In the first half of 2018, the marketing team has allocated resources to position the company as a leader in providing multi-cloud services as well as to rebrand the integration division. This was accomplished by renaming GECAD NET and integrating all of the group's IT integration activities under the **dendrio** brand. We have kept our focus on maintaining the website up to date with the IT courses we provide to our customers. Thus, we supported the sales team's efforts to deliver the scheduled courses and increase the classes capacities. The marketing department has a role in supporting the efforts of the sales team through activities which generate leads, but also by providing communication and presentation materials. Besides the sales department's support efforts, the marketing team also focuses on raising awareness of Bittnet's brand, its position as the leader in the IT training market in Romania, and increasing the reputation of the new dendrio brand as an IT integrator and IT solutions and services provider with a focus on multi-cloud and cybersecurity.

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 and our shareholders as well as potential investors. We continued the initiatives with which we concluded in 2017 and organized a new series of events dedicated to cloud technology. We organized two Microsoft Azure cloud technical meetings, delivered by Bittnet and dendrio technical team specialists, as well as a meeting with technical staff where an engineer from the Amazon Web Services team (AWS) talked about the benefits of using the AWS cloud. Moreover, in order to position and make the dendrio brand more visible, we participated in a technical roadshow organized by Microsoft Romania, where our team once again positioned itself as a Microsoft Azure cloud technologist, claiming the status of Microsoft Gold Partner. During that event we talked about Microsoft Azure Stack and Microsoft's collaborative suite for IT professionals and businessmen from Cluj-Napoca, Timisoara, Brasov and Iasi.

We have been very active in popularizing cloud-related notions, educating the market and people at the beginning of the cloud adoption process. We are dedicated to ensuring dialogue with current and future customers on cloud solutions and services. All of the above-described activities allowed us to present our services in front of more than 500 IT professionals.

This year, with the support of one of the engineers with whom we deliver courses and integration projects, we organized the first event of this sort in Romania, called Global DevOps Bootcamp, at Bittnet headquarters. The event was held simultaneously in 75 locations in 30 countries. The participants had the opportunity to learn new things from top specialists, to engage in teamwork, to interact with DevOps engineers, and to compete with participants from different countries during hackathon with which the event ended. This year's theme was **From one release per month to multiple releases a day - Applied modern release patterns and practices**. Global DevOps Bootcamp was dedicated to the subject of DevOps on Microsoft Stack and improving launch rates. The event aimed to reveal the latest trends and perspectives on DevOps in modern technologies that enable specialists to launch applications in the production environment several times a day.

Last but not least, we have marked our third year of activity as a public company, listed on the AeRO-ATS market of the Bucharest Stock Exchange. This year we chose to open our headquarters to mark a premiere both in the history of our Company and in the Romanian capital market by organizing the first edition of the Bittnet Investor Day. We had the pleasure of meeting with more than 70 people as shareholders, representatives of the capital market and the media to whom we presented the financial results, plans and prospects of developing the group's activity.

Rebranding Gecad Net - Dendrio

The first half of 2018 required more attention being paid to the reorganization of integration services, namely the renaming and rebranding of GECAD NET. For this purpose, increased resources have been allocated to this project, both from the HR and financial point of view. We live in times when brands have an important role in generating business success: on one hand, in front of customers, using the notoriety and the promise to attract and secure business and on the other hand in front of the employees, motivating them and rewarding their loyalty. A strong brand brings recognition, helps differentiate from the competition and connects the company with customers at an emotional, not just functional level. The rebranding process we have undergone has been carried out with the help of Rusu+Borçun branding specialists and resulted in the new **dendrio** brand. Through this process, we aim to make a clear distinction between the services that Bittnet Group provides to its customers, such training and IT solutions/services (technology) in the context of the acquisition of GECAD NET.

The strategic branding process has been rigorous and started with internal audit (face-to-face discussions with most of Bittnet and GECAD NET employees) and external audit (discussions with vendors and representatives of both companies). This audit was the basis for Bittnet's brand strategy and was behind the division of technology services and placing it under another brand. We chose the name dendrio, which derives from dendrites - branched projections of neurons that transmit nerve impulses received from other cells through synapses.

Dendrites constitute a network, and the fact that they have electrical properties and transmit information creates a strong connection with the IT network systems and the way we connect the computers. Moreover, dendrites are an essential part of the human cognitive process, which allowed us

to link the dendrite functions to the impact that dendrio can have in a company, managing the network, data security, migration, development applications and their cloud hosting.

Dendrio is your smart and friendly guide to keep up with the ever-changing world of technology and make the best choices for your business. dendrio has the ambition to become the leader of the multicloud integration market in Romania. It fuses existing technologies and identifies new technologies to deliver competitive advantages to its customers: response speed, optimization, safety. **Your Journey. Upgraded.** is the promise of the dendrio brand that adapts to each company's road, brings competitive advantages to its clients and keeps them up-to-date on IT services and solutions. The dendrio logo and associated forms outline a friendly, colorful, easy-to-understand brand that is always up-to-date.



PR and Communication Activity

In 2018 we continued the Bittnet brand awareness strategy and took the first steps in communicating the new brand - **dendrio** - in order to make clear the services portfolio that we provide to our clients as the first IT company in Romania with security and multicloud competencies. We continued to carry out activities to maintain brand visibility in the general and financial press in Romania. We have been active through engaging in various local and international projects devoted to entrepreneurship and investor relations. Last but not least, as a result of the internal philosophy of pursuing an active and sporting lifestyle, we chose to sponsor the activity of the Romanian Triathlon Federation and support Avram Iancu to overcome the 6633 Arctic Ultra Marathon, considered the most extreme marathon in the world. Sports initiatives have also taken place internally through the participation of a high number of colleagues in marathons and triathlons, but also by engaging in volunteer activities aimed at offering hot meals and supporting children with little to no financial means in their educational process.

During the first semester of the fiscal year 2018, the results of PR and communication activity were highlighted by appearances in the online press, including Ziarul Financiar, Profit.ro, Wall-Street, Digi24, Business Magazin, Start-up.ro and other online and print publications. We also participated realization of TV interviews and materials, including most prominently a episode *Romania Fast Forward* on Digi24 dedicated to the story of Bittnet.

Even though not falling directly under the PR category but rather IR, on April 19th, 2018 we have organized the first edition of Bittnet's Investor Day, at the company's Bucharest Headquarters. It was one of the very first events of this sort in Romania and we have managed to host around 70 investors, shareholders, capital markets representatives as well as mass media. We have received very positive feedback from the participants to the event as well as the market as a whole, which reacted very well to this novelty. We will thus continue with this approach, opening our doors to our stakeholders at least once a year since we believe that top quality investor relations is also a very important aspect of our PR and communication.

For the second half of this year, Bittnet Group will continue the PR and Communication activities in order to position the companies in the group as a specific services provider for the integration of IT architectures (focusing on multicloud and IT security) and technical support services, and as the leader on the IT training market in Romania.

Technical team

With a talent turnover almost equal to zero over the course of past 3 years, Bittnet's technical team has continued to deliver both cluster and training integration projects at the highest level of standard, as confirmed by the figures presented by the team sales team, especially when analyzing the number of winning projects and their profit margin.

The unique specificity of the Bittnet technical team on the IT market in Romania is the fact that it is responsible for both for training and IT integration projects, starting from the pre-sales phase to post-implementation support and optimization.

The first half of 2018 represented for Bittnet technical team a new development stage in terms of increasing existing skills and extending them to cover new technologies. In this regard, we have created a new team dedicated to Office 365 services. We have decided to internalize the Level 2 and 3 support services that we offer to Bittnet's as well as dendrio customers that were taken over following the acquisition of Gecad NET. Moreover, given the exponential growth of cloud migration projects (AWS or Azure), we have increased the cloud team with yet another staff member. Following this process, the Bittnet's technical team capable of delivering courses or IT project implementations has reached a total of 15 people. For each branch of technology (Cloud, Security, Wireless, Collaboration, Datacenter, Microsoft, AWS), after the process of doubling the team in 2017, we have gone through the consolidation phase of the team's experience. In the first semester of 2018, we were able to consolidate our technical expertise by obtaining and completing the following technical certifications:

- Cisco Certified Network Professional
- CCNA Cyber Operation
- Developing Microsoft Azure Solution
- Cisco Firejumper Level 4

We continued our technical initiatives with the marketing department and in the first semester of 2018, we held a series of Microsoft M365 product promotion sessions aimed to familiarize the components of the new functions and highlighting the benefits of such a subscription.

We participated in the roadshow supported by Microsoft in Cluj, Timisoara and Braşov as a partner for Azure cloud services, presenting the benefits and advantages of using such a solution. These initiatives are part of the company's strategy to promote the cloud (visible also through the increase in the number of projects implemented), regardless of the vendor. All of these sessions were supported by vendor-certified trainers who are part of Bittnet's technical team.

The first half of 2018 also meant, following the acquisition of Gecad Net, completing a comprehensive process of integrating unifying and securing the solutions used by the company. In this regard, we have succeeded to:

- Change the way of connecting to Microsoft NAV services - secure connectivity, direct through an IPS tunnel, site-to-site with Microsoft Azure;
- Integrate Active Directory of wifi and collaboration solution;
- Create and publish a Wifi Guest access portal;

- Implement the Cisco Umbrella service;
- Modify domains and websites from gecadnet.ro to dendrio.com.

A separate process that required up to 180 hours of effort was the unification of email and file sharing, under Microsoft O365 subscription. The process was carried out in 3 stages, outside of working hours, in order not to affect the daily activities of other departments. The stages were the following:

- Migrating colleagues from Dendrio / Gecad under the Bittnet subscription;
- Migrating file-server and sharepoint services to Bittnet subscription;
- Migrating Gsuite Services to Microsoft O365.

Also in first part of 2018 we begun the process of migration from Zendesk ticketing system to Microsoft Cases, part of reaching the objective of unifying the tools that the entire internal team use and that allows to see, under the same umbrella, the effort undertaken by the technical team.

A summary of the key projects supported by the technical team in the first semester of 2018:

- Implementing Cisco collaboration, Wifi and switching solutions to one of the largest RPA solution providers;
- Implementing the Wifi Cisco solution and integrating with the Identity Service Engine solution at one of the utility suppliers in Bucharest;
- Delivering over 300 hours of implementation to Bittnet customers with peaks of 5 projects being delivered simultaneously;
- Promoting Cisco security solutions regionally by supporting two workshops in Brasov and Bucharest;
- Delivering a turn-key IT communications infrastructure for a greenfield investment of a company producing appliances in Ulmi (Dambovita County);
- Providing technology upgrade to the network infrastructure of one of retailers, at national level - this is a large scale project – with more than 15 shops, delivered in record time of 10 weeks with excellent feedback on services quality;
- Delivering over 500 hours of support to Bittnet customers;
- Completing the team with another Microsoft certified trainer.

Operational Excellency

Bittnet continued its efforts to automate operations activity in the first half of 2018, which led to the ability to process and run smoothly 52% more projects in H1 2018 compared to H1 2017 (1195 vs. 785), allocating the same number of resources to the operational department.

Share price

In the first half of 2018, the Company's market capitalization grew by approximately 52%, from RON 34.2 million at the beginning of the year, to RON 52 million following the registration of the share capital increases approved by the GSM in April 2017 (operation finalized in January 2018) and the increase with free shares that was voted by the GSM in April 2018. Bittnet's market capitalization has increased over 6.7 times since listing on AeRO.



Regarding the total liquidity, in H1 2018, 1,537 transactions were carried out with a total of 2,452,476 shares, representing 25.5% of the Company's free float. The total value of the transactions recorded in the first six months of 2018 was over RON 3.3 million. On June 29th, 2018, the Company overpassed the number of 500 shareholders.

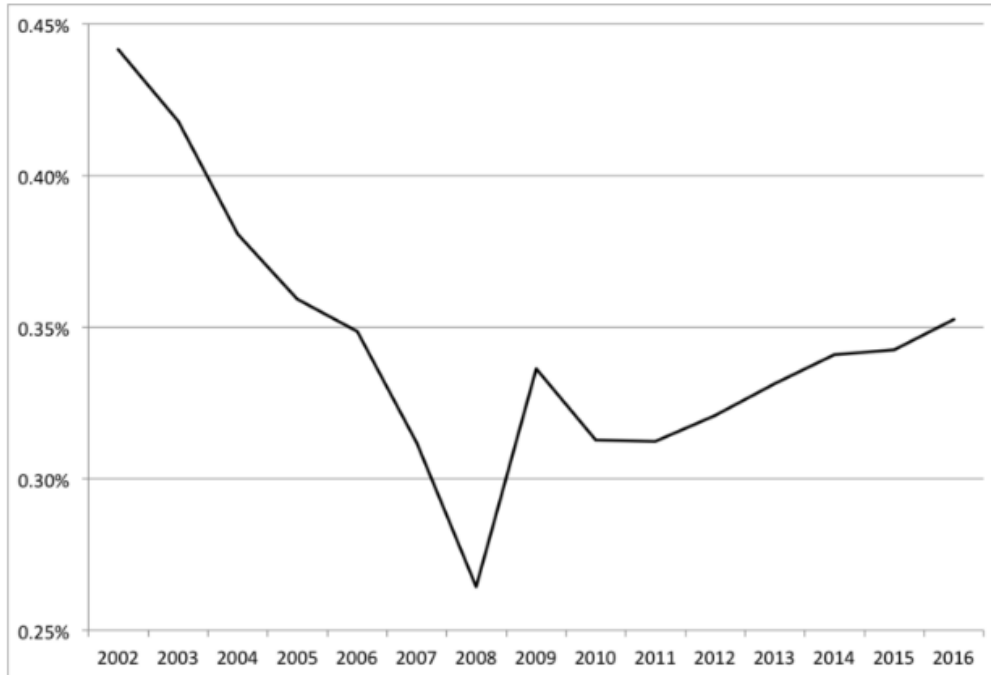
Bonds

The BNET22 bond issue is traded on the AeRO-ATS bond market of the Bucharest Stock Exchange as of November 28th, 2017. Between January 1st and June 30th, 2018, the Company had paid coupons 2 and 3, in March and June respectively. The nominal value of a BNET22 bond is RON 100 and the fixed interest rate is 9% per year, payable quarterly through the Central Depository mechanism. BNET22 bonds recorded a high liquidity for this type of security, as during the first six months of 2018, there were 118 transactions with a total value of RON 608,759.03, at an average daily price of RON 104.45 / bond. The total number of BNET22 bonds that changed the holders in the first half of 2018 was 5,860, representing 13% of the total issue.

As far as BNET19 bonds go, this issue has seen an increased liquidity since floating on AeRO-ATS market in September 2016. In first half of 2018, transactions in a total amount of RON 605,854.60 were recorded, with 595 bonds changing the holders, which represents 14.2% of the total BNET19 issue. BNET19 bonds have similar characteristics to BNET22: fixed interest rate of 9% per year that is payable quarterly within the Central Depository but the nominal value of RON 1,000 / instrument. Also for BNET19 bond issue the Company is up to date with the payment of coupons. During the first half of 2018, coupons 7 and 8 were paid to the bondholders, in April and July respectively. The repayment of the BNET19 issue will be made in July 2019, according to the private placement offer document and the listing memorandum.

Overall, BNET19 and BNET22 bonds were very liquid since the total value of the trades registered with BNET bonds in the course of last 6 months was RON 1.2 million, which represents between 13% and 14.2% of the total issues. This means that the daily turnover for this instruments was at a level of \pm 0.11% of the total issues, which we consider a very good value, especially taking into consideration that the daily value for this type of transactions in the US is estimated at 0.35%.

Average daily turnover of corporate bonds (Percent of outstandings), 2002-2016

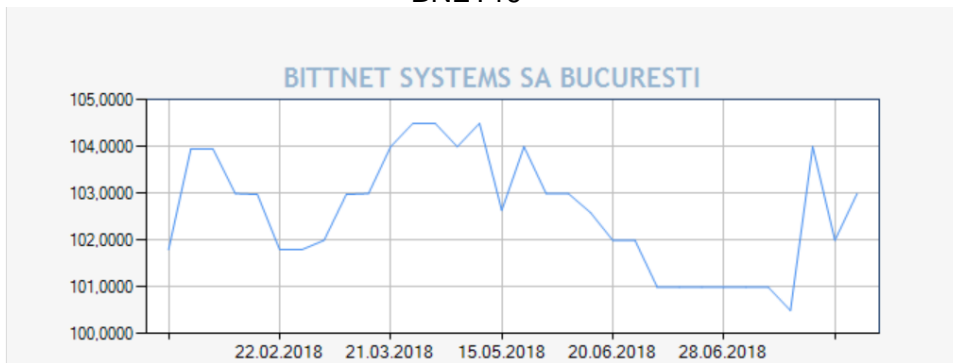


Source: SIFMA and authors' calculations.

Source: <https://goo.gl/jYvnBd>

We also consider it worth mentioning that BNET19 and BENT22 bonds have been traded constantly above the 100% threshold, even reaching a maximum of 108%, as presented on the graphs below:

BNET19



BNET22



Source: <https://bit.ly/2OAurLR>

On July 4th, 2018, Bittnet announced investors about successfully closing a new corporate bond issue. Through the BNET23 private placement, the Company raised RON 4.7 million, which was the maximum value of the issuance. The operation was closed earlier than initially envisaged, due to oversubscription. BNET23 bonds have a nominal value of RON 100, 5 years maturity, and a fixed interest rate of 9% per year, payable quarterly. The subscriptions were made by 32 individuals, 1 legal person and 3 investment funds. The capital raised will be used to finance the investment in two companies, as approved by the 2018 EGSM, namely in Elian Solutions SRL and Equatorial Gaming SA. The remaining amount will be used as working capital.

In August 2018, Bittnet paid the first coupon to BNET23 bondholders. According to the offering document, there was a partial/fractional coupon calculated for the time period between the allocation date (July 5th) and the reference date of 10th August (exclusive). The Company chose to plan the coupon payments of the three bond issues in a manner that will optimize the cash flow and will not put any extra pressure on the treasury. According to the EGSM decision of April 25th, 2018, the Company will begin the process of listing the BNET23 bond issue on the AeRO-ATS bonds market of the Bucharest Stock Exchange after the two investments in Elian and Equatorial are completed.

HR Activity

Since Bittnet has a dedicated, internal human resources position as of summer of 2015, this function is divided between recruitment projects and the development of an organizational culture that sustains the growth goals of the Company, as well as the values of the Group.

The recruitment processes are carried out continuously, especially for the technical and sales teams. In the first half of 2018, the technical team was expanded as two colleagues specialized in Microsoft Office 365 solutions, joined the company following an increased need for technical resources in this area. In addition, we brought a colleague specialized on the AWS cloud subject, an engineer that delivers training and consulting projects on AWS. Attracting highly skilled engineers like those specialized in AWS is a very complicated process because there are only a few experts available on the Romanian market, based in Bucharest, and most of them are not interested in changing their jobs. That is why we have also focused our attention on recruiting such specialists from outside of Bucharest, from cities such as Timisoara, Brasov, Cluj, with whom we have teamed up at the end of the first semester and with whom we plan to deliver new trainings and consultancy services starting from the second half of this year.

Besides recruitment projects, we have paid attention to the work environment and maintaining a high level of commitment from all the team members. The process of integration of the colleagues from what was formerly known as Gecad Net required the harmonization of teams, departments, organizational practices as well as common habits. It was a process that began in the fall of 2017 but continued in the first part of the year with positive results related to the Company's perception as a one single team with a larger portfolio of solutions and services as well as a larger headcount, able to attract and deliver more projects. At the beginning of the year, as a routine HR practice we've implemented in the recent years, we organized one-to-one coaching sessions with each team member in order to identify the level of integration between the two teams (Bittnet and dendrio) as well as to identify possible issues/dissatisfaction within the organization. Discussions were of a qualitative nature, without engagement satisfaction questionnaires, and they were overall very effective and achieved their purpose. We have managed to identify some discrepancies between specific departments as well as needs and expectations of the colleagues.

Examples of team activities organized by the HR:

- 11 years of Bittner - internal celebration of 11 years of activity in February 2018;
- March 8 - Surprise for everyone present in the headquarters, a Smoothie Bar organized in the office with the help of a company specialized in well-being;
- Triathlon and running/sports competitions in Bucharest to which many colleagues have been participating for many years. To respect tradition and promote a sporting healthy lifestyle and habits, the Company encouraged and supported this year's participation of as many team members as possible in such events;
- Teambuilding in May at Moeciu de Sus - organized with internal resources, this time without using a teambuilding program company, proved to be highly appreciated by all the participants. We opted for a prolonged teambuilding structure, meaning that we left Friday morning from Bucharest to have a session and informal talks on Friday afternoon, and the return was on Sunday at noon.
- Workshops on the topic of healthy habits, organized at the headquarters for all team members who have shown interest. Workshops covered subjects such as hydration and the well-being of the body, dental health and detoxification just to mention a few. Workshops will continue also in the second part of the year since they were well received and appreciated by the colleagues.

In order to develop the team spirit, we introduced a new project as an organizational HR practice: "The Secret Friend from Bittnet". Every week, two randomly drawn volunteers have the task of making a surprise to two other randomly drawn colleagues. Also, at the beginning of summer, we started another project that wants to emphasize the "official" recognition of positive team behaviors, the "Thank you corner". It is a follow-up to the idea of the "Bittnet Awards Ceremony", which aims to highlight the attitudes and behaviors appreciated by the colleagues.

2. Economic and financial position

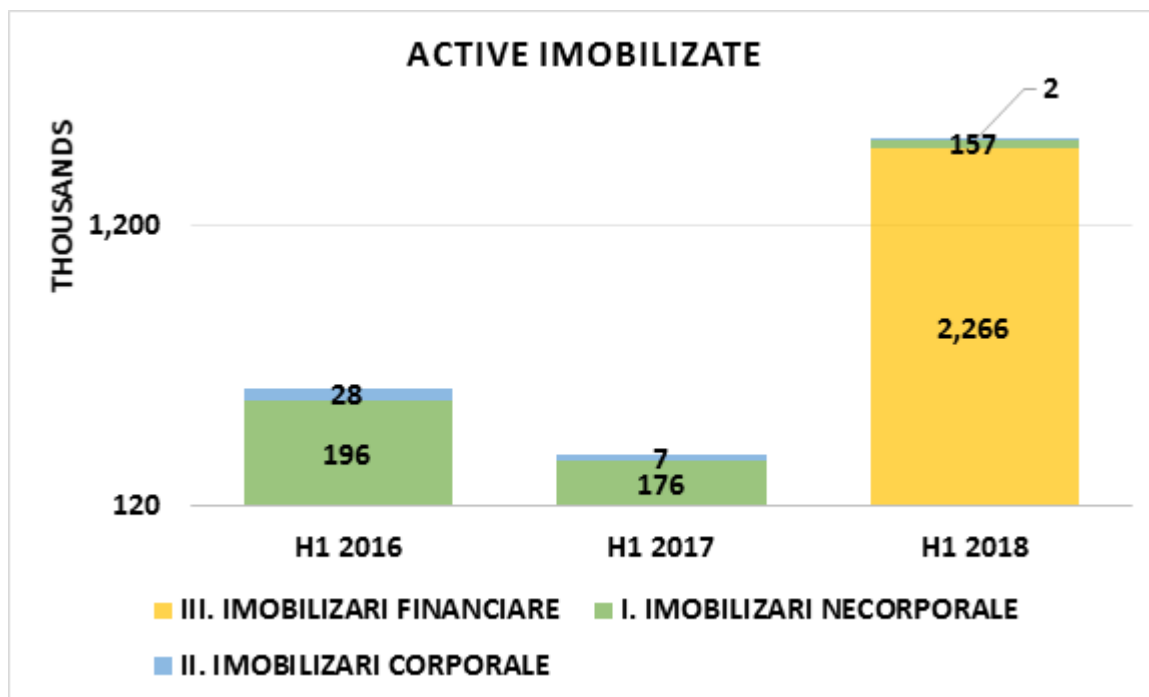
The Issuer provides investors with a consolidated analysis of the Group's assets, capital and liabilities as evidenced by the financial statements of Dendrio Solutions and Bittnet Systems, at the end of the reporting period, as of June 30th, 2018. As this is the first year that the Issuer reports consolidated results, the graphs as well as the economic and financial analysis will be provided for June 30th 2018 vs. June 30th 2017.

Analysis of the Balance Sheet

Fixed assets

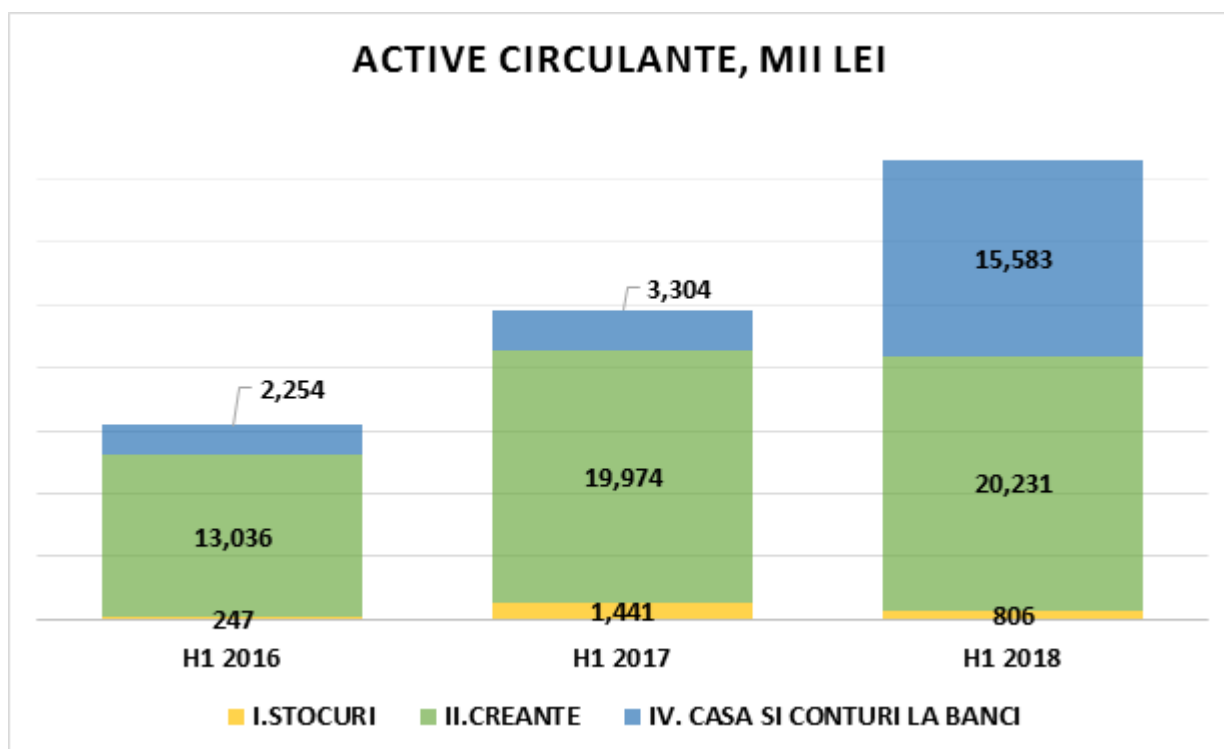
Unlike the same reporting period of last year, the fixed assets recorded a spectacular increase, mainly due to the financial assets, a position reflecting the investment in the Gecad NET SRL (the first payment was in September 2017 with the second payment taking place in August 2018).

Regarding tangible and intangible assets, they continued on the downward trend, naturally with amortisation.



Current assets

The total value of current assets at group level increased in H1 2018 by 48.15%, to RON 36.6 million. This increase is generated by the advance of 371.6% of the liquid assets, bringing the cash in banks at the end of the reporting period to RON 15.5 million. In first half of 2018, the structure of current assets varied as follows:



The positive difference in liquid cash availability comes from the current business activity, the continued improvement of bank financing and the recovery of some "historical claims" that Dendrio Solutions has on certain customers. As for stock, it has decreased 44%, from RON 1.4 million in H1 2017

to RON 800,000 in H1 2018. This decrease is caused by the optimization of the deliveries represented by the efficiency of the process of purchasing and reselling component.

Total assets minus current debts

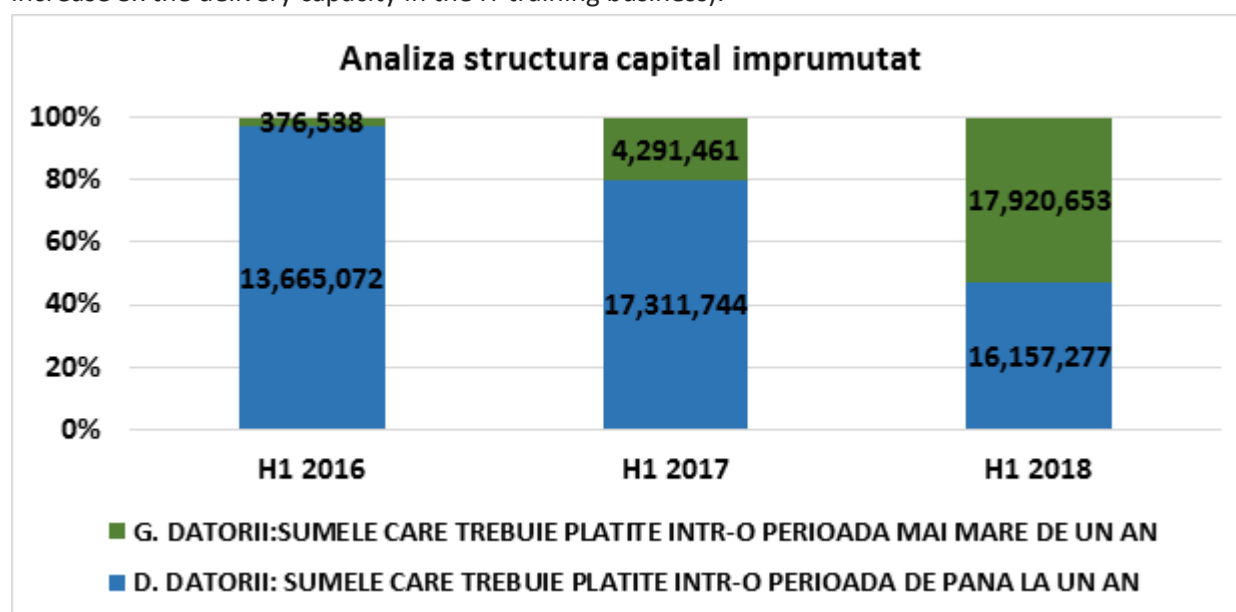
In H1 2018, compared to H1 2017, the total assets minus current liabilities recorded a positive evolution (+196%, representing an advance of RON 16.3 million), caused by the significant increase in the non-current financial assets (+1224%) and the pronounced increase of current assets, cash (+ 48%), together with the decrease in current debts (-6.67%).

Group's debt situation

On June 30, 2018, the total debt of the group amounted to RON 34 million, up 57.7% as compared to the end of the same period of 2017. This evolution reflects the successful placement of BNET22 bond issue, which took place in the second half of 2017, subscriptions registered up to June 30, 2018 as part of the BNET23 private placement (at the end of the reporting period, Bittnet was in the process of placing these corporate bonds) as well as strengthening the group's bank financing. The group's short-term debt fell by RON 1.1 million (-6.67% as compared to June 2017), which was fueled by the repayment of Dendrio credit line worth RON 1.5 million from Banca Transilvania. The reimbursement was made at maturity, as it was announced to the market through a current report on June 12th, 2018. The long-term debt increased in H1 2018 due to the expansion of bank credits (Procredit Bank - credit for finance the working capital and current activity, operations that were covered in current reports issued) as well as increased lending through corporate bonds (BNET22 and BNET23). In other words, the increase in long-term debts has helped to increase the cash from banks up to RON 15.5 million.

Bittnet Group will continue the process of strengthening the available finance structure, both in terms of capital increase, but also by converting loans from 'short-term finance' into 'medium-term funding'. We are looking for "patient capital".

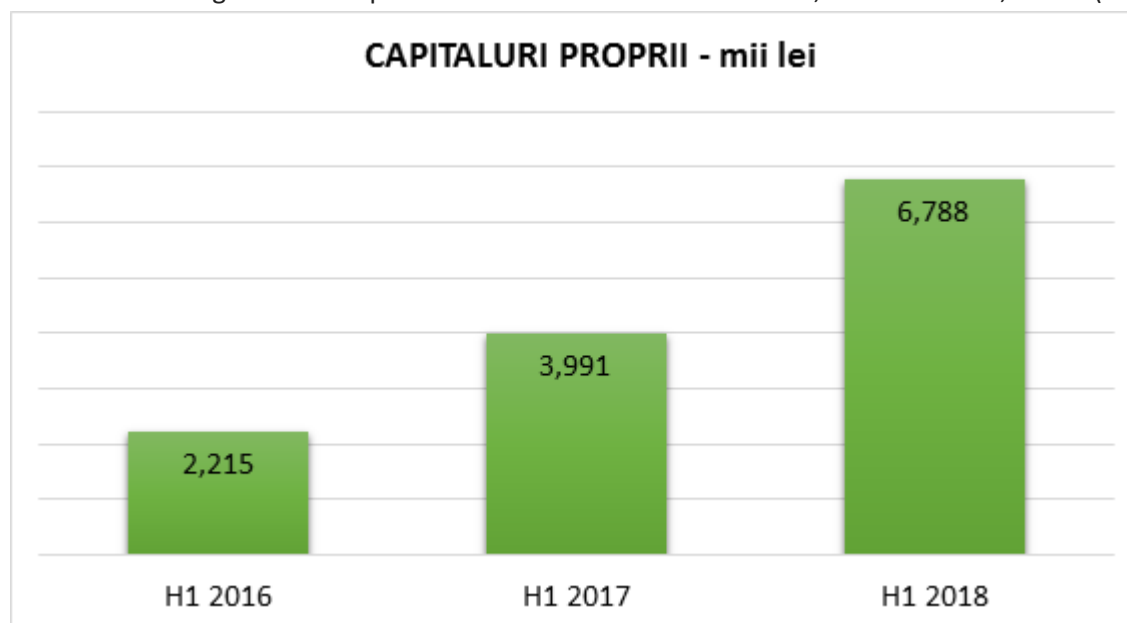
We also consider it important to mention in this chapter that the migration of the financing structure to a long-term oriented one is part of the risk strategy, and that the borrowed amounts are for investment projects (3 M&A projects plus the new headquarters - investment made in 2017, which led us to increase 3x the delivery capacity in the IT training business).



Total shareholder equity

As of 30 June 2018, the total equity increased by 70% (vs. 30 June 2017) reaching the value of RON 6.78 million. The positive evolution is mainly due to the following components:

- subscribed and paid-up capital, which equaled +RON 1.5 million (increases in share capital by including profits from previous years, capital premiums and cash contributions made by the company in H2 2017)
- Recording a historical profit for the first semester: RON 433,534 versus 207,354 lei (+ 109%).

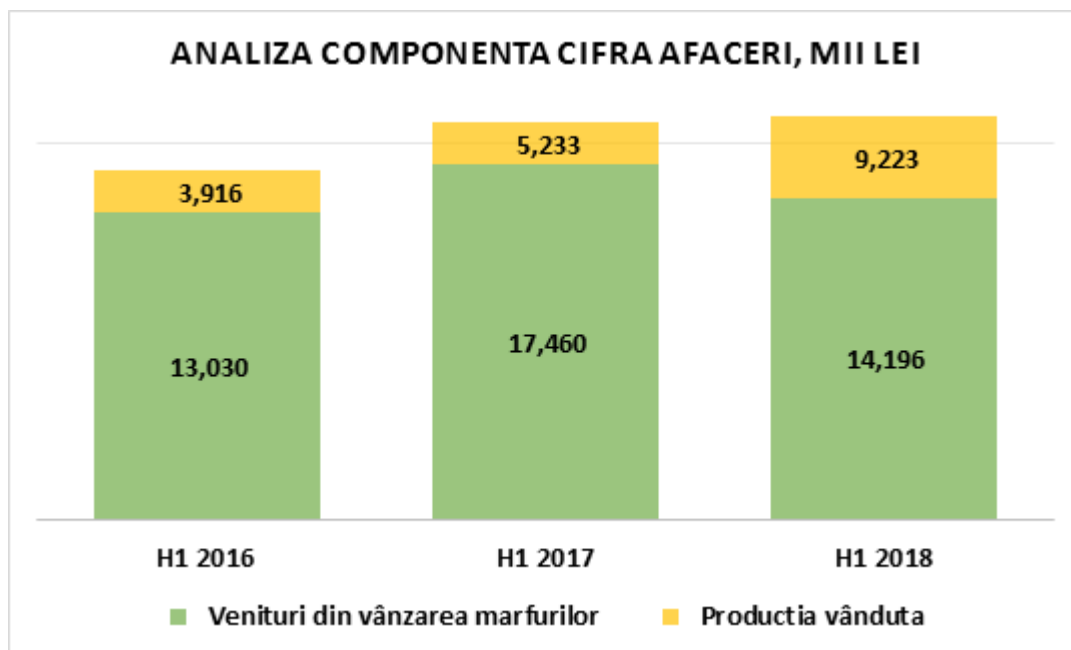


Profit and loss account

Analysis of sales

The most important element to be mentioned in the sales analysis for H1 2018 is the fact that together with the integration of Gecad Net's team, processes as well as incentive schemes into Bittnet's, we can observe the well-known trend from the past years, namely the migration to value-added services (gross margin), and a break away from the traditional activity of "reselling licenses" (in the case of Dendrio).

Thus, the share of services rendered in total turnover increased when compared to H1 2017. We still see it as a correct bet the focus on the global trend of cloud migration given that these are the services that recorded the highest increase over the past years, both in terms of increasing customer and project numbers, but also against the background of higher value. If in case of training services in the H1 2018 vs H1 2017 there is an 8.5% increase in sales (up to RON 3.9 million), for the integration and cloud services, there is a 32% increase in the value of the generated sales by the team (ignoring the effects of a one time project in 2017, not generated by the sales team). This result arises as a result of a stronger concentration of the sales team on value-added projects gained as a result of Bittnet's differentiator, that is the ability to deliver complex projects.



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

- IT Services Implementation, Configuration, Testing - RON 4.45 Million - the highest added value in the business integration line;
- Switching solutions (network infrastructure): RON 2.48 million - a 3.5 times increase due to the execution of several larger projects during H1 2018 vs H1 2017;
- Cisco Software Licenses: 1.2 million RON - almost triple compared to H1 2017;
- Microsoft Software Licenses: 5.6 million RON - a 10% decrease over last year, if we ignored the positive effects of an unrepeatable project, and a 50% decrease if we include the project in last year's figures;
- Autodesk licenses: 2 million RON - double compared to 2017;
- Security solutions: 1.37 million lei - a doubling from 2017.

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

- Microsoft Official Training: RON 744,000 (+7%);
- Cisco Official Training: RON 511,000 (+37%);
- Training Custom Bittnet (including software training this year) RON 570,000 (more than doubled compared to 2017: + 118%);
- Oracle training: RON 541,000 (18% decrease, due in particular to the continuous changes of the vendor's operating structure, which generates the impossibility to place orders on time, to schedule classes, etc.);
- Amazon training: RON 218,000, (-46% from 2017). This situation is due to the repeated postponement of classes to the second part of the year at the request of the clients. We will be following this product carefully in H2 2018, especially as the "road opener" for the cloud services of Dendrio.

Among the cost elements, the two chapters that represent a significant weight are:

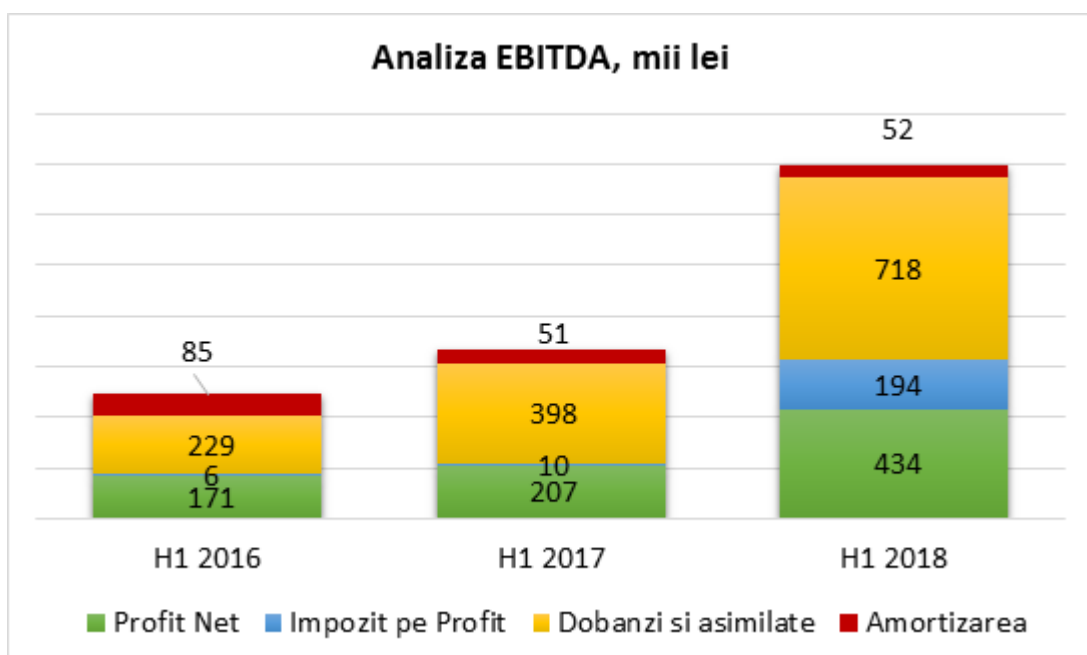
- Expenditure on external benefits (ct.611 + 612+ 613+ 614+ 615+ 621+ 622+ 623+ 624+ 625+ 626+ 627+ 628) 10.38 million lei - double compared to last year - a natural evolution once with business growth and migration to a more sales-focused sales structure - because account 628

also reflects spending on services subcontracted for resale. This balance sheet position is also influenced by rising rent costs - with the move to the new headquarters which has a double surface compared to the Luliu Maniu headquarters.

- Expenditures on merchandise (607) RON 11 million: a 27% decrease compared to H1 2017. This decrease is natural with the migration of the sales structure more to services, taking into account the activity of commodity trading (either hardware or software) has lower gross margins - so declining sales lead to a lower cost.
- Increase of financial expenditures (interests rates costs and assimilated) by 80% to the consolidated value of RON 718,000 - due to double of the financing by bonds available (the BNET22 issue was made in the second part of 2017, so it did not bring costs in H1 2017 but brought costs in H1 2018)
- Increase in corporate tax spending (an increase of RON 180,000) - as a result of significantly higher profits during the reporting period, and the 'ending' of all deductible expenses carried over by Dendrio Solutions (expenditures that decreased the profit tax in the past)

Operational and financial result and gross profit

H1 2018 continues to validate the financial model that we are pursuing. Given that we are a company whose delivery capacity is generally more demanded in the fourth quarter and, on the other hand, the capacity to deliver is not easy to scale, this translates into a fixed, indirect, high cost. On other hand, we need to increase the gross margin produced (by increasing sales) because each dollar produced over the fixed cost threshold passes directly into the profit account. In other words, small increases in earnings over a certain threshold generate significant increases in profitability. As a result, continuing the trend of previous years, operational profit recorded in H1 2018 was more than double compared to H1 2017. Another important element to note is the cost of financing - an 80% increase in interest-paid and assimilated amounts. The company will continue to strengthen its financial position by conducting equity operations.



Net Profit

The difference between gross profit and net profit represents the profit tax. Profit tax is calculated in relation to the (fiscally) taxable profit. For the calculation of taxable profit, certain expenses are not fiscally deductible (either partially or fully). A good example are expenses related to renting cars and fueling them if those cars are not used by the sales team. In the case of renting cars and fueling them in order for the technical team to go to customers (interventions, implementations, installations, etc.) these expenses are deductible only in a proportion of 50%. The same treatment applies in the case of the company's administrator visiting clients. This leads to the situation where the calculation of tax on profit is not as a percentage of gross profit, but from fiscally taxable profit. In case of the reporting period, expenditures related to the taxes on profit increased from RON 9,501 in H1 2017 to RON 194.183 in H1 2018 (+1943% on a consolidated level)

Declared and paid dividends

The company made no dividend payments during H1 2018. The detailed dividend policy of the company can be found at: <https://investors.bittnet.ro/corporate-policies/dividend-policy/>

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 2016	H1 2017	H1 2018
Current liquidity ratio	Current assets/ Current liabilities	1.14	1.43	2.27

Quick liquidity ratio	(Current assets - Inventory) / current liabilities	1.12	1.34	2.22
-----------------------	--	------	------	------

Current liquidity ratio and Quick liquidity ratio represent two of the most important financial indicators of a company and measures the company's ability to pay short-term debts using short-term assets.

The spectacular increase of these indicators is mainly due to the increase in cash deposits in the "cash and bank" account as a result of changing the medium to long-term finance structure through the use of capital market instruments - especially bonds with maturities of 3-5 years.

The high level of liquidity ratios implies a reduced share of fixed assets and a shorter period for capitalizing on the services sold by the company, which translates into a more efficient use of the working capital. In this situation, working capital is not dependent on financing from short-term credits. In theory, the optimal value for liquidity level varies depending on the business sector. Thus, there are sectors where optimal liquidity is 2 or even higher, but also sectors that work very well with levels of 1.5 or slightly below 1.

Identified risks 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

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

This risk consists of two components: risk of price fluctuation that makes up fixed costs for the project and risk of price fluctuation that makes up variable costs of the 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, 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;
- 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.

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

- In 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 costs regarding workforce 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;

- The most significant fixed cost is the rent of the headquarters from Timisoara Blvd, no. 26. This contract has the price set until 2024.

Exchange rate risk

An important element of the price risk is the exchange rate risk. The company aims to be neutral to the exchange rate risk. This is addressed through the following actions:

- € The company does not make “cross currency” offers (offers in a different price than the the one in which it was bought);
- € In case of such a demand we include 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;
- € Starting from the fiscal year 2018, we are using hedge funds products (either CFDs or other similar risk / reward instruments) that allow us to win IT integration projects where the cross-currency bids are being requested. It is important to mention that we have won these projects in terms of profitability.

Of course, this risk cannot be completely eliminated and during every financial period the company registers revenues or expenses with the exchange differences.

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 liquidities. The company’s assets (equipment) is used in current activity (services).

Financial assets - the ownership of Dendrio Solutions SRL shares is not intended to be liquidated, being held forever. Of the remaining assets, most of the assets are receivables and cash in banks. From this point of view, the most important risks for the company are the cash flow risk and the 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 with a steady financial situation.

The company analyzes new clients 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.

Despite the above, the company has not identified a solution that would completely eliminate the credit risk - this being one of the most important risks for a company of our size.

The company also follows the "soft-collection" processes and decides relatively quickly to move to “hard-collection" procedures, which has brought us historical success in recovering debts. The automated information systems alert both sales team and managers about overdue customer invoices that are tracked by the sales team for 1 month so that we prioritize keeping a good business relationship. After 1 month of failed efforts, a lawyer with experience (and track record) in recovery of debts is involved. Thus, during 2018, we succeeded in recovering historical receivables from the GSP group to **dendrio** through Bittnet's efforts and procedures.

Cash flow risk

The cash flow risk is associated with the fact that the company cannot honor its debts in due date. Based on the company's activity, there are two components of this nature which we closely follow:

- The 'synchronization' of due date payments from our clients for certain projects with due date payments to the suppliers for the specific projects. The company's procedures have a 0 priority for this synchronization (the due date for our client to be sooner than the due date to our supplier). This problem picks up on the form of back-to-back clauses when it comes to receiving invoices for subcontracted services or paying sale commissions. Additionally, in order to address the issue in which clients with a strong negotiating power require due dates which the suppliers cannot hold, we actively look for solutions like factoring. As an example, in 2016 the Company had available and accessed 3 different factoring facilities without regress from 3 different providers.
- The risk of business seasonality. Because of the specific nature of the clients that the company addresses (companies which operate on an annual budget, 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 financing lines. The company actively seeks the extension of financing from banks in the long run.

Risk associated with 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 offers from competition. The Issuer's failure to manage its personnel needs successfully could have an adverse effect on the business, financial condition, results of operations or prospects. The Company offers attractive compensation packages and dynamic career paths in order to attract, retain and motivate experienced and promising personnel. In particular, the nearshoring trend (multinationals that move their IT support activity to Romania for the global organization) brings important opportunities to our company but also presents the risk that global giants could unbalance the IT labor market by offering wages dimensioned to their own budgets and buying power from the West, creating a problem regarding labor equilibrium within our company. During the first 6 months of 2018, the IT labor market continued to be a very 'hot' one. In 11 years of our history, Bittnet has registered an unusually small fluctuation of personnel for the IT industry, but 2018 was slightly worse.

Although we continue to find new human resources to participate in the development of the Group's success story, we were also faced with the need to replace sales team members both at local and national level. Particularly, colleagues who do not achieve rapid success are tempted to try out other challenges.

One of the key strategic elements for 2018-2020 is to build a strong employer brand which will sustain the recruiting activity and maintain a valuable team. As such, the company is focused on creating and strengthening the message regarding the company's culture and employer brand on the local labor market.

The management also proposed to the shareholders, and they approved it at the General Shareholders' Meeting in April 2018, a new incentive plan for key people with options to acquire the company's stock options. This approach aims to increase the engagement of key people and to better align their interest with the interests of shareholders.

Risk associated with significant clients

On June 30, 2018, top 10 clients brought 52% of the Group's consolidated sales, a situation similar to historical customer focus. It should be mentioned here the model of reselling the products and services of the group through partners, which generates an apparent concentration of sales towards a single partner, even though in reality there are more end customers. Thus, the largest customer of the group - accounting for 11.5% of sales - actually adds 3 large end customers plus a number of other small customers.

Risk associated with the rights to the trademark

The „Bittnet Systems” trademark is owned by a third party related personally to the Company's management (hereinafter also referred to as licensor). In 2010 the Issuer signed an agreement under which the Company can use the trademark by paying a percentage of turnover value generated in a given year.

The agreement was signed for 10-year length period (until 2020) and does not include terms of notice for dismissal. The agreement contains contractual penalties, according to which for each day of delay in payments there is interest charged equal to 0,1% of payment value.

Between 2015 and 2018, the total amount paid under the brand contract was RON 275,110. Specifically, payments were made in the following way:

- 2015= RON 275,110
- 2016= RON 0
- 2017= RON 0

In 2016, the Company reached an agreement for suspension of payments, and in 2017 we have identified a basic solution that would allow the transfer of the brand to the company, without generating significant costs for the company, nor the dilution for minority shareholders. We believe that the way to solve all these challenges is a tripartite transaction where the company pays a modest amount of money, and the company's founders transfer 5% of company's shares in exchange for the trademark license. This solution has not yet been implemented because we have encountered certain technical limitations provided by the Central Depository's Code for the direct transfer of shares, namely applicable limitations if the transferor holds more than 1% of the shares of an issuer.

A potential, surprising alternative came from a brand audit conducted in first half of 2018. This audit revealed that the name "Bittnet" is very strongly associated with IT training - an easy to understand situation due to the success of the company in this area of activity, since Bittnet is the IT training market leader. This association, however, "overshadows" the IT integration activity, which historically accounted for more than half of the company's revenue. Only in 2017, on an indicative level, consolidated figures show that IT integration activity generated 3 times more revenue than IT training. In other words, the success of the Bittnet name in the training activity generates invisible results in integration work, which is why we decided to launch the "dendrio" brand that covers the integration activity of the Group. In addition, there is a process of rebranding both for the activity of the group of companies and for the training activity. In other words, what we have to report for 2018 is concentrating our efforts on understanding the best solution for the Group's brand architecture.

In April 2018, we began the process of launching alternative brands for the areas of activity. Thus, the M&A project with Gecad Net resulted in the launch of the dendrio brand. Currently, dendrio takes over

Bittnet's IT integration activity (more information about this can be found in the Bittnet IR presentation). Taking into consideration the two M&A projects presented on the Investor's Day and subsequently approved by GSM (we refer to the investments in the two companies - Elian and Equatorial) we will continue the transition to a group of companies active in the two traditional fields: education and technology. Since the trademark agreement only refers to revenue directly derived from Bittnet branding, not including revenue generated by other Group companies, this multi-brand approach is a new solution to reduce brand-related risks.

Of course, to both the training clients and our shareholders, as well as new investors and the overall capital market community, Bittnet brand is recognizable and well-known. The efforts carried out by the company in the course of 3 years since floating on AeRO have generated a good reputation for the Company when it comes to the quality investor relations, corporate governance, transparency and respect for minority shareholders. We also realize that due to the position that Bittnet has in the capital market, any process of rebranding and introducing new brands must be done with wisely and cautiously. However, as the company has grown significantly over the past 3 years and a single brand has grown into a group of companies, we are convinced that in order to continue our growth, we need to continually reinvent the business model not just to remain relevant, but also to develop further. Thus, time becomes an ally, because many activities will be rolled out under other brands in the Group - as is the case today - thus minimizing the risks to our shareholders. Of course, if there is a technical solution that will allow the direct transfer of a portion of founders' shares to the trademark owner, we will make the transfer as soon as possible.

Risk associated with realization of business development plan

The Issuer's strategic objective is to continuously develop relationships with clients. It cannot be excluded however that the Issuer will not be able to expand the current client base and that the relationships with existing customers will be deteriorating. There is also risk that the Issuer will not be able to perform other elements of the strategy, such as: the expansion of sales team, launching new local offices in some of the key Romanian cities, strengthening the position of a leader of the IT Training market, expanding the customer base and providing trainings to more potential customers, developing and creating strategic partnerships with companies of similar or complementary profiles. In order to reduce the aforementioned risk, the Issuer's Board intends to extend the product and services offer and to improve the marketing activities.

Risk associated with realization of the financial forecasts

Financial forecasts of the Company start from the successful implementation of the growth strategy hypothesis 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 related in future periodic reports may differ from forecasted values as a result of unforeseen factors in the environment of the Company. The Issuer will provide information according to the possibility of realization of financial forecast in each quarterly report.

This chapter deserves a more detailed discussion. Every year the company submits to the shareholder's approval a revenue and expense budget. The Management realizes this BVC 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 BVC), of the sales statistics of the previous years, of the marketing and sales already engaged / planned actions, and of the sales targets assumed by each member of the sales team. In other words, the BVC 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 BVC, the management has to answer to the “If we have a reasonable trust that we will generate 100 RON gross margin, of how many RON we will obtain this margin?” question. It must be taken into consideration that the sales realizations are measured and appreciated EXCLUSIVELY by the generated gross margin volume. In other words, 100 Euro of gross margin generated by 200 Euro course sales is as valuable to the company and is, therefore, the same rewarded with 100 euro of gross margin of 500 euro communication solution sales.

In order to answer to the “Of how many RON is it 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 BVC) related to the company’s revenues are HIGHER.

The company only follows the gross margin, not the volume of sales and that is the reason why during the budget exercise is more likely that the revenue forecasts (turnover) to be wrong, and the profitability ones to be 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 company’s aim of the revenue indicators (turnover), but of the profitability indicators.

Risk associated with interest rates

The company is at risk of rising interest rates for credits and loans contracted. Any increase in the interest rate will be reflected by the increase in financial costs. The company regularly monitors the situation in the banking system in order to predict the risk associated with the interest rate. Even so, the growth risk of financial expenses with ROBOR interest is diminished by the fact that Bittnet has only 8% of the value of bank loans with variable cost (and only 3% of the total loans - considering the three corporate bond issues). In this context, the only credit of Bittnet with variable interest rate is in value of RON 690,000 with a interest: ROBOR6M+1,5%. Also, the credit for financing the current activity of Dendrio Solutions is contracted with a variable interest rate: ROBOR3M+2.5%. At the time of writing this report, all Bittnet and Dendrio bank credits are contracted from Procredit Bank in national currency RON. Taking into account the context and the national financial system, we believe that the interest rates on bank credit products will continue to grow in 2018, resulting in an increase in the Group’s financial expenses. Between June 30th and the date of the publication of this report (August 31st, 2018), the company has successfully carried out a sale offer through private placement for corporate bonds, in accordance with the Extraordinary General Meeting of Shareholders resolution of 25 April 2018. The bonds have a nominal value of RON 100, a 5-year maturity and a fixed annual interest rate of 9%, payable quarterly. A total of 47,000 bonds have been subscribed, with the capital attracted in this placement eaching RON 4,700,000.

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 transactions for companies listed on the AeRO market depend on the number and size of the buy and sell orders placed by investors. There can be no guarantee regarding the future price of shares and their liquidity. There is no guarantee that after an investor has bought shares of the company he/she can sell them at a satisfying level of 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 public securities or shares in an investment fund, mainly because of the volatility and unpredictable nature of share prices, in both short- and long-term perspective.

Risk associated with changing law and tax in Romania

Changes in the Romanian legal or tax systems may affect the economic activity of the Issuer. Changes related to the adjustment of the Romanian legislation to EU regulations may affect the legal environment of business activity of the Issuer and its financial results. Lack of consistent rules and protracted procedure for obtaining administrative decisions may also restrict further development of the Issuer. In order to minimize the risk the Company regularly analyzes the changes in these regulations and their interpretations.

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 2018, the Company has the following Budgets:

Investment Budget

Acquisitions of assets/investments were sized to RON 1,000,000, provided that funding sources are available for implementation. The investment plan includes:

- Completing the modernization of the working environment and the new training center following the moving of the company's headquarters in August 2017;
- Rebranding Gecad Net, followed by the launch of new brand dendrio;
- Continuing acquisitions of IT resources - upgrading website and online store, software, etc.
- Ensuring the constant functioning of IT systems;
- Providing cloud and managed services to the Group's clients.

The company's management will make all necessary efforts in order to ensure that these operations do not affect the company's cash flow. In this regard, negotiated lease agreements will be considered for most of IT equipment, furniture, etc.

Budget for Investments – M&A projects

The April 2018 GSM approved the issuance of corporate bonds in order to finance M&A investment projects: 51% investment in the company ELIAN Solutions SRL, Microsoft Dynamics NAV Gold Partner and an initial investment of 25% in the shares of Equatorial Gaming SA. These are "bolt-on" acquisitions

for Bittnet's two key areas of activity. The ratio of the investments was broadly detailed in the supporting documents for the 2018 EGMS:

- [Investment case Elian](#) (investment up to EUR 120.000)
- [Investment Case Equatorial](#) (investment up to EUR 550.000)

Corporative Assets Rent Budget

In 2017 fiscal year, The Company concluded the following lease agreements in order to acquire the access / use of fixed assets (active), which exceeds the threshold stipulated in Art. 241 paragraph 2 of Law 297/2004:

- Rental contract for office space, in order to relocate the company activity, due to:
 - The expiration of the current rental contract for the space at Iuliu Maniu Blvd., no. 7-11
 - The appearance of the compelling need to extend the current space available for offices (internal and external meetings, coordination activities and planning with the subcontractors), but also for developing the training center activity.
 - Identifying a proper space for the development plans of the company within an office building administered by Anchor Plaza - near the current space - on Timisoara Boulevard, no. 67. This space is about 1100 square meters, it allows a double office space allocation, as well as doubling the number of classrooms (from 4 to 8), expanding the space available for the students' lunch and expanding the 'technology showroom'. For this space, the Company signed a rental agreement, at an average price per square meter, similar to the offer received for the extension of the contract for the space on Iuliu Maniu. We consider that moving to a double size space in a Type A office building with an ample parking (the mall parking) and two subway stations nearby was the optimal decision.
- The need to set up the previously mentioned space, both on the architectural level (partitions - plaster walls and glass), but also furniture (chairs, desks, reception, desks for the students) and IT technology (workstations for students, projectors, infrastructure Network and IT servers).

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.

Compared to the first semester of 2017, during the reporting period, the organization has observed the following events and trends that can significantly affect Company's revenues:

Cloud migration

The "bet" made by the company in 2015, when we have identified cloud as a significant business development opportunity for our business, seems to be a winner. In the first semester of 2017, the Company seized a much larger opening of its customers to Cloud projects, carrying out 15 migration projects. More important, customers from previously 'reluctant' domains became interested and now pay attention to this subject. This trend has the potential to significantly influence the Company's revenue in the future.

In the first half of 2018, this trend accelerated further and the company earned and implemented 87

cloud projects, the revenue from this category of services being RON 1.39 million and the gross margin generated by these services being 6 times higher than from the same period in 2017. This excellent result contributes both to the services portfolio developed around the partnership with AWS (signed by Bittnet in 2015), but also to the portfolio of services and the client list obtained by investing in dendrio (through the strategic and historical partnership with Microsoft).

On the other hand, in this new business niche, there is a chance to face up to now unknown software developers, which can negatively influence both the costs and prospects of winning projects.

Nearshoring trend

Due to the movement to Romania of IT operations centers of several multinationals, Bittnet has a double opportunity: on the one hand, the potential to increase training revenues with training for the local teams for said companies and on the other hand, the potential to be subcontracted for advanced services (so called "Level 3") for these global support centers.

However, this trend can also negatively affect the company's revenues by lowering the delivery capacity of the company in case said multinational companies offer better financial prospects to current members of the Bittnet team.

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 in the rights of holders of securities issued by the company.

The General Shareholders Meeting approved the following operations regarding the capital of the Company:

I. The capital increase with free shares at a 3 free shares for 5 owned ratio

During the first half of fiscal year 2018, the Company's shareholders approved the increase of the share capital with amount RON 1.826.655,40 (by issuing 18.266.554 new shares), up to RON 4,871,081.20 (a total of 48,710,812 shares).

The share capital increase was possible from the following sources:

1. capitalization of undistributed net profits from 2016 in the amount of RON 896,861.19;
2. capitalization of share premiums in the amount of RON 680,247.54;
3. capitalization of the amount of RON 249,546.67 from the undistributed profit from fiscal year 2017.

According to the 2018 General Shareholder's Meeting, the allocation ratio of newly issued shares was 3 bonus shares for each 5 share held (3:5) for the registered shareholders mentioned in the Shareholders' Register held by the Central Depository at the registration date: June 29th, 2018. Central Depository uploaded the free shares into investors accounts on July 2nd, 2018.

II. The capital increase with new contributions

The same Shareholder's Meeting approved the increase of capital with new contributions from shareholders by issuing a number of 3,044,425 new shares.

The share capital increase will be achieved by offering new shares for subscription, within the preference rights offered to shareholders on record in the Shareholders' Register at the registration date of May 15th, 2018.

After the period for exercising the preference rights for newly issued shares expires, according to the prospectus, unsubscribed shares will be offered for subscription in a private placement at a price at least equal to the price offered to registered shareholders.

According to the GSM decision, the preference rights will be tradable in the relevant market administered by the Bucharest Stock Exchange.

At the time of this report, the company is in the process of obtaining the approval visa on the Prospectus from the Financial Supervisory Authority (ASF), a mandatory step before the beginning of the operation.

III. The current shareholding structure as of June 30th, 2018

The current shareholding structure on June 30th, 2018, according to information obtained from the Central Depository is as follows:

Shareholder:	% of share capital and voting rights:
LOGOFĂTU CRISTIAN-ION	27.2110%
LOGOFĂTU MIHAI-ALEXANDRU-CONSTANTIN	26.6484%
CAPATINA-GROSANU RAZVAN	14.6058%
OTHER SHAREHOLDERS	31.5348%

IV. Options from the incentive plan approved in 2016

At the beginning of the financial year 2016, the GSM approved an incentive plan with options and management contracts for CEO and CFO positions that included the option of key individuals to acquire shares from the company in a total of 9% capital, at a price per calculated share taking into account the number of shares of the company at the date of realization of the operation and capitalization of the company on 1 January 2016 - 7.800.000 RON. At the same time, the GSM also approved the mandate of the Administrator to perform all necessary formalities, including raising the capital by raising the right of preference for the other shareholders (non-dematerialized shareholders). This incentive plan came to maturity in 2018, with option makers likely to exercise their options. The Company obtained from option holders the postponement of the moment of exercise so that the share capital increase with free shares is already registered. Thus, although expected for H1 2018, option exercise has been postponed

for H2. Along with exercising options, existing shareholders who are not part of the incentive plan will see a dilution of their positions equal to 9%. By example, a shareholder owning 1% of the company's capital before the options will hold 0.91% of the new capital resulting from the allocation.

5. Significant transactions

Not the case - In the reporting period the company did not conclude any significant transactions with parties with which the company acts in concert.

In the course of normal business activity, there are trade flows that generate transactions between Bittnet and dendrio, which are presented below:

Delivery by Bittnet Systems SA to Dendrio Solutions SRL Delivery of network infrastructure equipment for resale partner - 1 invoice, value RON 4,980 without VAT.

Delivery by Dendrio Solutions SRL to Bittnet Systems SA Microsoft client licensing, 29 invoices for projects for 4 clients, in total amount of RON 221,183.97 without VAT under the following structure:

	Number of invoices	Amount without VAT
Client 1	24	114.794,23
Client 2	2	11.801,80
Client 3	1	837,29
Reseller 1	2	93.750,65

6. Signatures

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 2018	Reported value HY2018	% realization HY2018
Turnover	47.000.000 lei	23.125.840 lei	49,20%

Operating expenses, including:	- 43.000.000 lei	- 22.077.148 lei	51,34%
- Depreciation and Amortization	- 80.000 lei	51.813 lei	-64,77%
Operating result	4.000.000 lei	1.274.856 lei	31,87%
Financial result including:	- 1.150.000 lei	- 544.613 lei	47,36%
- Financial expenses	- 1.150.000 lei	- 718.395 lei	62,47%
Gross result	2.850.000 lei	605.348 lei	21,24%
Net Result	2.394.000 lei	411.165 lei	17,17%
Number of shares	51.755.239	53.581.893	103,53%
Net result per share	4,63	0,81	17,49%

*CONSOLIDATED VALUES

8. Annexes

Attached are the half year unaudited financial statements:

BALANCE SHEET

DESCRIERE	RÂND	30 iunie 2017	30 iunie 2018
A. ACTIVE IMOBILIZATE		RON	RON
I. IMOBILIZĂRI NECORPORALE	1	176.177	156.940
II. IMOBILIZĂRI CORPORALE	2	6.932	1.528
III. IMOBILIZĂRI FINANCIARE	3	0	2.266.254
ACTIVE IMOBILIZATE - TOTAL	4	183.109	2.424.722
B. ACTIVE CIRCULANTE			
I. STOCURI	5	1.440.596	806.490
II. CREAŢE	6	19.973.980	20.231.465
III. INVESTIȚII TERMEN SCURT	7	0	0
IV. CASA ŞI CONTURI LA BĂNCI	8	3.304.184	15.582.960
ACTIVE CIRCULANTE - TOTAL	9	24.718.760	36.620.915
C. CHELTUIELI ÎN AVANS	10	733.023	1.820.056
D. DATORII: SUMELE CARE TREBUIE PLĂTITE ÎNTR-O PERIOADĂ DE PÂNĂ LA UN AN	11	17.311.744	16.157.277
E. ACTIVE CIRCULANTE NETE/DATORII CURENTE NETE	12	7.817.325	21.356.753
F. TOTAL ACTIVE MINUS DATORII CURENTE	13	8.323.148	24.708.416
G. DATORII: SUMELE CARE TREBUIE PLĂTITE ÎNTR-O PERIOADĂ MAI MARE DE UN AN	14	4.291.461	17.920.653
H. PROVIZIOANE	15	40.947	0
I. VENITURI ÎN AVANS	16	0	0
1. Subvenții pentru investiții	17	0	0
2. Venituri înregistrate în avans	18	0	0

DESCRIERE	RÂND	30 iunie 2017	30 iunie 2018
Sume de reluat într-o perioadă de până la un an	19	0	0
Sume de reluat într-o perioadă mai mare de un an	20	0	0
3. Venituri în avans aferente activelor primite prin transfer de la clienți	21	0	0
Fondul comercial negativ	22	0	0
J. CAPITAL ȘI REZERVE			
I. CAPITAL	23	3.733.095	5.701.361
1. Capital subscris vărsat	24	3.733.095	5.701.361
2. Capital subscris nevărsat	25	0	0
3. Patrimoniul regiei	26	0	0
4. Patrimoniul institutelor naționale de cercetare-dezvoltare	27	0	0
II. PRIME DE CAPITAL	28	0	0
III. REZERVE DIN REEVALUARE	29	0	0
IV. REZERVE	30	92.338	187.749
Acțiuni proprii	31	0	0
Câștiguri legate de instrumentele de capitaluri proprii	32	0	0
Pierderi legate de instrumentele de capitaluri proprii	33	0	0
V. PROFITUL SAU PIERDEREA REPORTAT(Ă)			
SOLD C	34	0	465.119
SOLD D	35	42.047	0
VI. PROFITUL SAU PIERDEREA EXERCIȚIULUI FINANCIAR			
SOLD C	36	207.354	411.165
SOLD D	37	0	0
Repartizarea profitului	38	0	0
CAPITALURI PROPRII - TOTAL	39	3.990.740	6.787.763
Patrimoniul public	40	0	0
CAPITALURI - TOTAL	41	3.990.740	6.787.763

PROFIT AND LOSS STATEMENT

DESCRIERE		30 iunie 2017	30 iunie 2018
		RON	RON
1. Cifra de afaceri netă	1	22.693.241	23.125.840
Producția vândută	2	18.429.265	9.222.869
Venituri din vânzarea mărfurilor	3	4.263.976	14.196.009
Reduceri comerciale acordate	4	0	66.874
Venituri din dobânzi înregistrate de entitățile radiate din Registrul general și care mai au în derulare contracte de leasing	5	0	0
Venituri din subvenții de exploatare aferente cifrei de afaceri nete	6	0	0
2. Venituri aferente costului producției în curs de execuție			
Sold C	7	0	0
Sold D	8	58.062	108.096
3. Producția realizată de entitate pentru scopurile sale proprii și capitalizată	9	0	0
4. Alte venituri din exploatare	10	47.167	5.570
- din care, venituri din fondul comercial negativ	11	0	0
VENITURI DIN EXPLOATARE – TOTAL	12	22.682.346	23.249.478
5. a) Cheltuieli cu materiile prime și materialele consumabile	13	478.059	41.752
Alte cheltuieli materiale	14	138.918	216.051
b) Alte cheltuieli externe (cu energie și apă)	15	33.300	12.828
c) Cheltuieli privind mărfurile	16	3.375.338	11.126.424
Reduceri comerciale primite	17	254.499	531.250

DESCRIERE		30 iunie 2017	30 iunie 2018
6. Cheltuieli cu personalul	18	1.504.535	763.518
a) Salarii și indemnizații	19	1.226.820	746.898
b) Cheltuieli cu asigurările și protecția socială	20	277.715	16.620
7.a) Ajustări de valoare privind imobilizările corporale și necorporale	21	51.119	51.813
a.1) Cheltuieli	22	51.119	51.813
a.2) Venituri	23	0	0
b) Ajustări de valoare privind activele circulante	24	-1.000	0
b.1) Cheltuieli	25	0	0
b.2) Venituri	26	1.000	0
8. Alte cheltuieli de exploatare	27	16.844.167	10.396.012
8.1. Cheltuieli privind prestațiile externe	28	16.844.167	10.396.012
8.2. Cheltuieli cu alte impozite, taxe și vărsăminte asimilate	29	1.640	740
8.3. Alte cheltuieli	30	34.710	7.913
Cheltuieli cu dobânzile de refinanțare înregistrate de entitățile radiate din Registrul general și care mai au în derulare contracte de leasing	31	0	0
Ajustări privind provizioanele	32	0	0
Cheltuieli	33	0	0
Venituri	34	0	0
CHELTUIELI DE EXPLOATARE – TOTAL	35	22.169.937	22.077.148
PROFITUL SAU PIERDEREA DIN EXPLOATARE:			
- Profit	36	512.409	1.172.330
- Pierdere	37	0	0
9. Venituri din interese de participare	38	0	0
- din care, veniturile obținute de la entitățile afiliate	39	0	0
10. Venituri din alte investiții și împrumuturi care fac parte din activele imobilizate	40	0	0
- din care, veniturile obținute de la entitățile afiliate	41	0	0
11. Venituri din dobânzi	42	727	38.096
- din care, veniturile obținute de la entitățile afiliate	43	0	0
Alte venituri financiare	44	101.839	135.686
VENITURI FINANCIARE – TOTAL	45	102.566	173.782
12. Ajustări de valoare privind imobilizările financiare și investițiile financiare deținute ca active circulante	46		
- Cheltuieli	47	0	0
- Venituri	48	0	0
13. Cheltuieli privind dobânzile	49	268.258	566.499
- din care, cheltuielile în relația cu entitățile afiliate	50	0	0
Alte cheltuieli financiare	51	129.862	151.896
CHELTUIELI FINANCIARE – TOTAL	52	398.120	718.395
PROFITUL SAU PIERDEREA FINANCIAR(Ă):			
- Profit	53	0	0
- Pierdere	54	295.554	544.613

15. Venituri extraordinare	57	0	0
16. Cheltuieli extraordinare	58	0	0
17. PROFITUL SAU PIERDEREA DIN ACTIVITATEA EXTRAORDINARĂ:			

- Profit	59	0	0
- Pierdere	60	0	0
VENITURI TOTALE	61	22.784.912	23.423.260
CHELTUIELI TOTALE	62	22.568.057	22.795.543
PROFITUL SAU PIERDEREA BRUT(Ă):			
- Profit	63	216.855	605.348
- Pierdere	64	0	0
18. Impozitul pe profit	65	9.501	194.183
19. Alte impozite ne reprezentate la elementele de mai sus	66	0	0
20. PROFITUL SAU PIERDEREA NET(Ă) A PERIOADEI:			
- Profit	67	207.354	411.165
- Pierdere	68	0	0

*In order to consolidate the historical financial results of Dendrio Solutions SRL and Bittnet Systems SA, in order to provide a clear and 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 historian presenting it according to the rules applied by Bittnet.

CASH FLOW STATEMENT

DESCRIERE	30 iunie 2018	
		RON
+ Profit sau pierdere	1	411.165
+ Amortizări și provizioane	2	51.813
- Variația stocurilor (-/+)	3	113707
- Variația creanțelor (-/+)	4	3.746.288
+ Variația datoriilor comerciale (-/+)	5	1.629.017
+ Variația altor datorii (-/+)	6	3.436.662
+= Flux de numerar din activitatea de exploatare	7	1.690.982
- Investiții efectuate - total, din care:	8	44039
+= Flux de numerar din activitatea de investiții	9	-44039
+ Variația sumelor datorate instituțiilor de credit (=)-total, din	10	-

+ Credite pe termen scurt (sub un an)	11	1.080.000
+ Credite pe termen mediu și lung	12	2.372.861
+= Flux de numerar din activitatea de financiară	13	3.452.861
- Variația altor elemente de activ (-/+)	14	578.398
+ Variația altor elemente de pasiv (-/+)	15	-
+= Flux de numerar din alte activități	16	-578.398
+ Disponibilități bănești la începutul perioadei	17	11.061.554
+= Flux de numerar net	18	4.521.406
+ Disponibilități bănești la sfârșitul perioadei	19	15.582.960

GSM from 25.04.2018 Decision for amending the Shareholder Agreement

In accordance with:

1. The Convening notice published on the Company's website (<http://www.bittnetsystems.ro/investors/>) on the 23rd of March 2017 and in the Romanian Official Gazette, part IV, no. 1203 from the 23th of March 2018 and in Ziarul Bursa of March 23th 2018;
2. The Companies' Law no. 31/1990, republished (Law no. 31/1990);
3. The Capital Markets' Law no. 297/2004 ;
4. The Issuers Law - number 24 / 2017
5. The National Securities Commission Regulation no.1/2006 on issuers and trading of securities (Regulation 1/2006);
6. The National Securities Commission Regulation no. 6/2009 on the exercise of certain rights of shareholders in general shareholders meetings of the companies;

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

Item 2

In the presence of the shareholders representing 91.5658% of the share capital and 91.5658% of the total voting rights, with the affirmative vote of the shareholders representing 91.5658% of the share capital and 100% of casted votes

Approves changing of the main activity domain of the company CAEN Code

- from: **465 Wholesale of the IT and telecommunications equipment and of the main activity CAEN Code: 4652 Wholesale of electronic and telecommunication components and equipment**
- to: **CAEN Code 620 Service activities in information technology, respectively CAEN Code 6202 - Information technology consultancy activities 6202.**

Approves the registration date (defined as the date serving to identify the shareholders to whom the resolution applies) : 15.05.2018 and ex-date: 14.05.2018.

Item 3

In the presence of the shareholders representing 91.5658% of the share capital and 91.5658% of the total voting rights, with the affirmative vote of the shareholders representing 91.5658% of the share capital and 100% of casted votes

Approves the amendments to Articles 9.12, 9.13, 9.19 and 18.1.k of the Articles of Incorporation, as follows:

3.1. Considering the provisions of Law no. 24/2017 on Issuers of Financial Instruments and Market Operations, Art. 9.12 and art. 9.13 shall be amended and shall have the following content:

9.12. In the case of the increase of the share capital by cash contribution, the raising of the preference right of the shareholders to subscribe to the new shares must be decided in the extraordinary general meeting of the shareholders, attended by shareholders representing at least 85% of the subscribed share capital and by the vote shareholders holding at least 3/4 of the voting rights. Following the withdrawal of the shareholders' pre-emption right to subscribe for the new shares, they will be offered for subscription to the public in compliance with the provisions on public offerings under Title II and the regulations issued in their application.

9.13. The increase of the share capital by contribution in kind is approved by the extraordinary general meeting of shareholders, attended by shareholders representing at least 85% of the subscribed share capital, and with the vote of the shareholders representing at least 3/4 of the voting rights. In-kind contributions can only consist of new and performing assets necessary to achieve the business of the issuing company.

3.2. Considering the present value of the Company's equity, art. 9.19 shall be amended and shall have the following content:

9.19 The Administrator is authorized to decide for the period between the date of registration of this updated Articles of Association and the date of 30.06.2021 to increase the subscribed share capital by one or several share issues up to a value that does not exceed half of the subscribed share capital existing at the time of authorization. The value thus calculated of the authorized share capital is 15,222,129 shares or 1,522,212.90 lei. Exclusively for the purpose of increasing the share capital under the aforementioned conditions, for each of the capital increases made up to the level of the authorized capital, the administrator shall be entitled to decide to restrict or lift the preference right of the existing shareholders at the date of the respective share capital increase.

3.3 Given the partnerships of technology producers and development opportunities across the country, Art. 18.1 lit. k) shall be modified and shall have the following content:

18.1. k) decides, represents the company with full powers, concludes and signs legal acts regarding operations with term deposits and certificates of deposit with commercial banks, investments, fund units of the Open Investment Funds, direct operations or on the Capital Market, money market operations, government securities operations, derivatives operations.

Approves the registration date (defined as the date serving to identify the shareholders to whom the resolution applies) : 15.05.2018 and ex-date: 14.05.2018

Item 4

In the presence of the shareholders representing 91.5658% of the share capital and 91.5658% of the total voting rights, with the affirmative vote of the shareholders representing 91.5658% of the share capital and 100% of casted votes

Approves a capital increase with the amount of RON 1.826.655,40 by issuing 18.266.554 new shares with nominal value of RON 0.1 per share to be distributed to the registered shareholders mentioned in the Shareholders Register held by the Central Depository at the registration date which will be determined by GMS. The allocation ratio of newly issued shares will be 3 bonus shares for 5 shares held. Fractions are not compensated.

The share capital increase will be achieved by using the following sources:

- capitalization of undistributed net profits of the years 2016 in the amount of RON 896.861,19,
- capitalization of share premiums in the amount of RON 680.247,54 ,
- capitalization of the amount of RON 249.546,67 from the undistributed profit of the fiscal year 2017.

Approves the registration date (defined as the date serving to identify the shareholders to which the decision is addressed): 29.06.2018 and date ex-date: 28.06.2018 and payment date: 02.07.2018.