

QUALITANCE

ANNUAL REPORT 2019

QUALITANCE QBS S.A.

Registered under the no. J40/265/2007, fiscal code RO20438413

REGISTERED OFFICES: No. 2 Dr. Staicovici St., Opera Center II, 7th
floor, 5th district,
Bucharest

Annual report according to: art. 223 lit. A from the Regulation of the Romanian Financial Supervising Authority no. 5/2018 regarding issuers of financial instruments and market transactions

For the financial year: 01.01.2019 - 31.12.2019

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Name of issuer: QUALITANCE QBS S.A.

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Sole Registration number at the Trade Registry: RO20438413

Registration number with the Trade Register: J40/265/2007

The multilateral trading system in which the issued securities are traded: SMT-BVB

Subscribed and paid-in share capital: 100.000 RON

Code RON: 787200FHFL9NL7YNV596

The main characteristics of the securities issued by the company: Registered, unsecured, non-convertible corporate bonds - symbol Q22E

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Message to Investors

For QUALITANCE QBS SA, 2019 has been mainly an investment year. We focused on international expansion, investing in two subsidiaries - QUALITANCE Australia and QUALITANCE US, in order to ensure the company's presence on two continents and to increase turnover with new partnerships in those areas. We created these global bridgeheads - Sydney and New York, in order to further push our own mix of lean startups and product design based on behavioral psychology and technology, all the more so considering that the need for this type of services is increasing globally.

Beyond maintaining existing local projects, we aimed at growing our outsourcing area by strengthening our current partnership with IBM and expanding our customer portfolio. Last year, we also benefited from the collaboration with BCR, developing and launching the first digital mortgage loan platform in Romania. In parallel, we continued to develop reusable technology components as part of a technology platform that facilitates the accelerated development of digital solutions and services, allowing us to create an MVP in 10 weeks, on any vertical.

In 2020, we pursue a consolidation strategy by nurturing our team's level of competencies, by expanding our own technology platforms to maximize our capacities and, last but not least, by consolidating the global presence with the help of new entities and possible acquisitions.

Key Moments of 2019

2019 was marked by a series of premieres in the company's history.

QUALITANCE Australia & QUALITANCE US

Last year, we expanded our global presence through two subsidiaries - QUALITANCE Australia with offices in Sydney and QUALITANCE US based in New York. In this way, we have managed to be closer to customers on both continents, and the results of these investments have materialized by signing important contracts with Fortune 500 companies - such as News Corp, Ford (Australia) and Johnson & Johnson, which accounted for 20% of the consolidated turnover registered by the technology innovation line for the FY 2019.

The Digital Platform "Casa Mea" - A Premiere for Mortgages

In September 2019, we launched together with BCR the first digital mortgage platform in Romania. "Casa Mea" was the bravest and most innovative banking project of the moment, offering support to clients applying for a real estate credit. We managed to turn the stressful experience of obtaining a mortgage into an unexpectedly easy and pleasant experience in no time - having a first version in 10 weeks after the start of development.

For any client of BCR, the platform "Casa Mea" represents a system that digitizes the credit process and reduces the duration of the entire process by over 50%, while offering permanent support and transparency. At the same time, the solution co-created with BCR facilitates the development of partnerships to the benefit of the bank's customers.

Partnership with IBM

In 2010, we became partners of IBM - IBM Business Partner, IBM Education Partner and IBM Core Supplier. Last year, we renewed this long-standing partnership as an Integrator and Core Supplier for all IBM projects and business lines.

Q Technology Platform

In any technical MVP, the construction of infrastructure and generic functionalities represents 70% of the development input. Understanding how important it is to allow teams to focus on developing the essential structure and differentiating factors, we've created our own platform for reusable technology components, which we tested and improved over 10 years of technology and digital product development.

The massive library of technology components underlying the Q Technology platform accelerates the development of digital products, allowing us to create a secure and stable MVP in just 10 weeks (10-week MVP). Covering a wide range of development needs - from infrastructure, UI / UX, mobile - iOS and Android to web front-end and back-end, our platform exponentially reduces development time and production costs.

2019 in Figures

At the end of 2019, QUALITANCE Group reported a consolidated turnover of RON 51.53 million. QUALITY QBS S.A. had a turnover of RON 48.8 million, decreasing by RON 2.4 million compared to 2018 (4.7%). However, this decrease was offset by the turnover generated by the two subsidiaries - QUALITANCE US and QUALITANCE AUSTRALIA.

At the level of business lines, technology outsourcing registered revenues of RON 31.88 million, having a turnover share of 65%. The technology innovation line had a share of 35%, registering total revenues amounting to RON 16.92 million.

Accelerated Digital Transformation: 10-Week MVP

From the beginning of 2020, we set out to continue the strategy of consolidating the team and skills and developing our own technology platforms. Another top priority for us to expand the business portfolio with new clients, especially in the financial and energy sector.

We closed the first quarter outstandingly - after maximum prioritization of investments in developing the current structure, especially the recently established international structure. In the context caused by the pandemic, however, all projects we had in progress accelerated, and growth opportunities turned into essential strategic responses for our clients.

Therefore, the most important mission for us is to create the greatest value that has become of the utmost importance now, namely to help companies transfer all essential interactions - both with their customers and their own teams - into the digital environment through

easy-to-use interfaces built on elements of psychology and behavioral design and supported by Artificial Intelligence.

In this mission, we rely on 13 years of experience and know-how in the field of design and development of digital products. Working at the intersection between lean startup, behavioral psychology and emerging technologies, and offering our free licensed technology platform that allows us to build MVPs in 10 weeks, we will be able to support local companies in this accelerated digital transformation process.

In this difficult period triggered by the Covid-19 pandemic at a human, social and economic level, we focus on providing stability and rapid digital solutions to all our clients and partners, and to support a series of initiatives sustaining the community - including open access to its own e-learning platform in the field of digitalization.

At the same time, we aim to highlight the business model that best defines us - Business 5.0 - through which we build and scale digital businesses, focusing both on the accelerated development of digital solutions and on innovation strategies, product design, marketing and user experience.

An important step, both in capitalizing on this new business model and in consolidating global success, is the transition of Mike Parsons, the current Chief Innovation Officer, to the role of CEO.

Mike Parsons' leadership and experience are at the heart of Business 5.0. In 2016, when Mike joined our team, we were aware that the marketing success he had with Nike and Xbox, his impressive career in advertising and experience in design thinking will represent a major contribution to the global evolution of our company. The projects we've created with Mike - IKEA, Virgin, and BCR - have demonstrated this beyond any doubt. Moreover, Mike consolidated the Australian team during this last year and led the efforts of the New York subsidiary. This year, alongside the first non-founding international CEO in the history of QUALITANCE QBS S.A., contributing with his excellent professional experience in 4 countries, on 3 continents, we continue our mission as a global technology and innovation company.

Radu CONSTANTINESCU,
General Manager of QUALITANCE QBS S.A.

1. Analysis of the Issuer's Activity

QUALITANCE QBS S.A. is an international technology and innovation company that creates digital products and businesses for global organizations and startups. The company uses experience design, rapid prototyping, design elements and behavioral psychology, and emerging technologies such as Artificial Intelligence to create innovative digital products and services that help large organizations approach the hyper-scalable digital economy of the 21st century. The main business growth engine is the combination between specialized consulting and brand, product and service innovation services and the ability to deliver technology at product level.

QUALITANCE has developed its own technology platform - Q Technology Platform, which covers 70% of the effort to develop digital products and services, facilitating construction of infrastructure and generic functionalities and ensuring the realization of a technical MVP within 10 weeks. QUALITANCE has also created its own innovation framework, which brings innovation into the operational process by combining the rapid prototyping technique, design thinking principles, Agile and Skunkworks methodologies and emerging technologies such as Artificial Intelligence and Machine Learning.

QUALITANCE was established in 2007 by Radu Constantinescu and Ioan-Mihnea Iacob. In 2013, QUALITANCE expanded its business internationally, starting to collaborate with the first clients in the United States.

In 2016, QUALITANCE acquired LaunchPodium - an experience design start-up in San Francisco, which became the company's office in Silicon Valley. In the same year, Mike Parsons joined the company's team as Managing Partner and Director of Innovation, and the company opened its first office in Sydney, where it began developing innovation projects with major brands such as IKEA and Virgin Group.

In 2019, the company opened its first subsidiaries - QUALITANCE US and QUALITANCE Australia.

1.1. Elements of General Assessment

In 2019, the company focused mainly on expanding internationally, laying the foundations of two subsidiaries on two different continents (QUALITANCE Australia and QUALITANCE US), this being an investment year, while maintaining existing local projects and developing new international partnerships.

The two subsidiaries ensure the presence of QUALITANCE's team on the international market and have already borne the first results in business, by signing important contracts with Fortune 500 companies - such as News Corp, Ford and Johnson & Johnson.

At the end of 2019, QUALITANCE QBS SA recorded a total turnover of RON 48.8 million, a decrease by RON 2.4 million compared to 2018 (4.7%), which was offset by the turnover of the two subsidiaries.

At the level of the company's business lines, technology outsourcing had a share of 65% of the turnover, accounting in 2019 for revenues amounting to RON 31.88 million. The technology innovation area had a share of 35%, with total revenues amounting to RON 16.92 million in 2019.

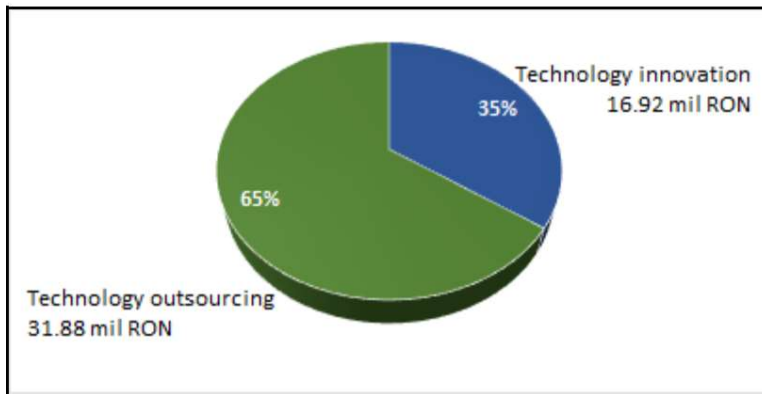


Chart: 2019 Turnover Categories QUALITANCE QBS SA

Between December 2017 and December 2019, most of the company's turnover was generated by technology outsourcing, which represents on average 64% of turnover. Technology innovation projects represented on average 36%, their value increasing in 2018 and decreasing in 2019, this decrease being offset by the turnover generated by the two subsidiaries.

The share of revenues obtained by the two business lines in the total turnover for the period December 2017 - December 2019 is illustrated in the chart below:

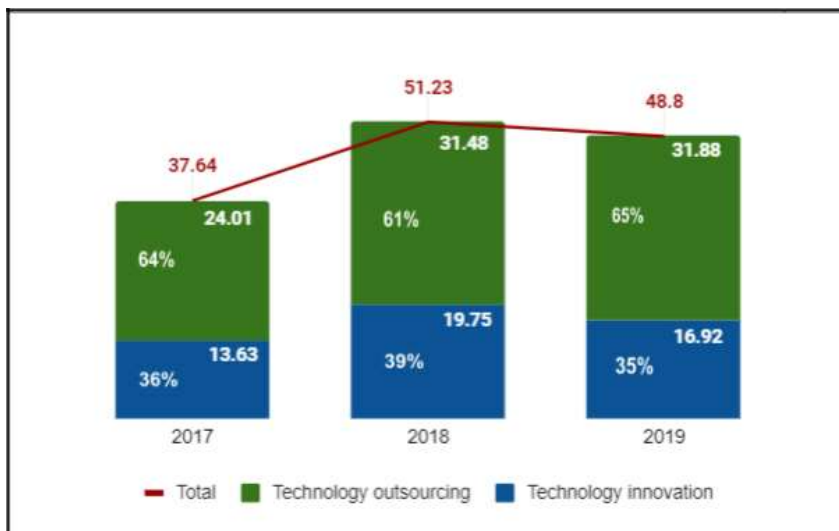


Chart: Evolution of turnover of QUALITANCE QBS SA, 2017 - 2019, per business lines (m RON)

At the end of 2019, the consolidated turnover amounted to a total value of RON 51.53 m, of which RON 46.88 m represent revenues obtained by QUALITANCE QBS SA, RON 3.84 m revenues generated by QUALITANCE Australia and RON 0.8 m revenues of QUALITANCE US (after eliminating intragroup transactions).

Compared to the end of 2018, the turnover for December 2019, consolidated at QUALITANCE group level (QUALITANCE QBS SA, QUALITANCE Australia and QUALITANCE US) amounted to a total of RON 51.53 m, increasing by RON 0.3 m (1%) compared to 2018.

The share of revenues obtained by the two business lines at group level within the total consolidated turnover for the period December 2017 - December 2019 is illustrated in the chart below:

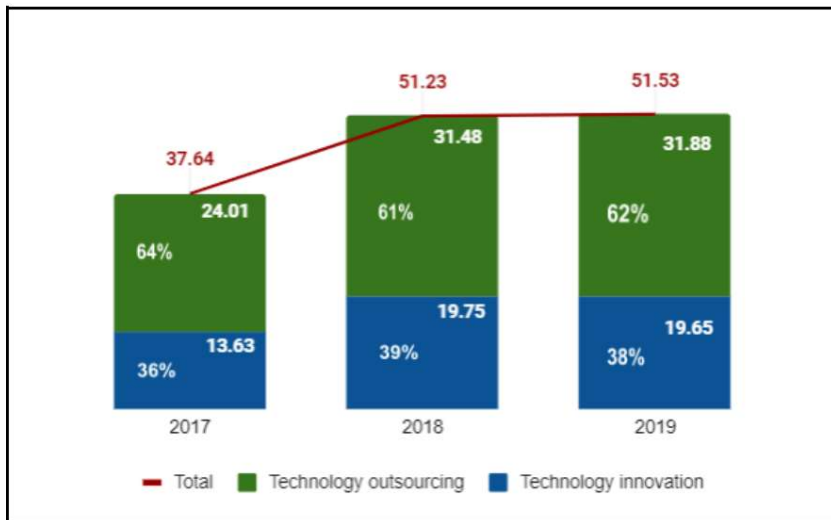


Chart: Evolution of revenues and shares in turnover for the period 2017 - 2019, consolidated by business lines (QUALITANCE QBS SA, QUALITANCE Australia and QUALITANCE US) (m RON)

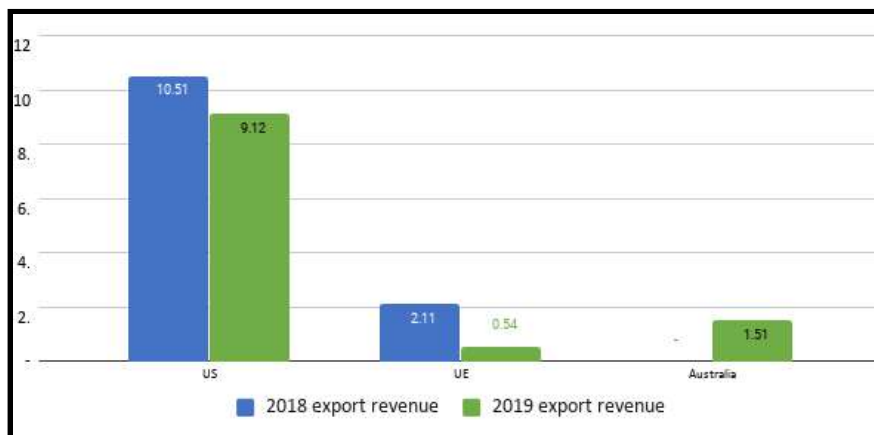


Chart: Distribution of export revenues by geographical regions in 2019 and 2018 for QUALITANCE QBS SA (m RON)

Export revenues, originating from IT services provided to external clients from the business technology innovation line, had a value of over RON 10 m in 2019.

At the end of 2019, **operating expenses** of QUALITANCE QBS S.A. reached the value of RON 48 m, an increase by RON 1.1 million (2.3%) compared to 2018, with personnel expenses making up the highest share of their total (50%).

The structure of operating expenses of QUALITANCE QBS SA during the period December 2017 - December 2019 is shown in the chart below.

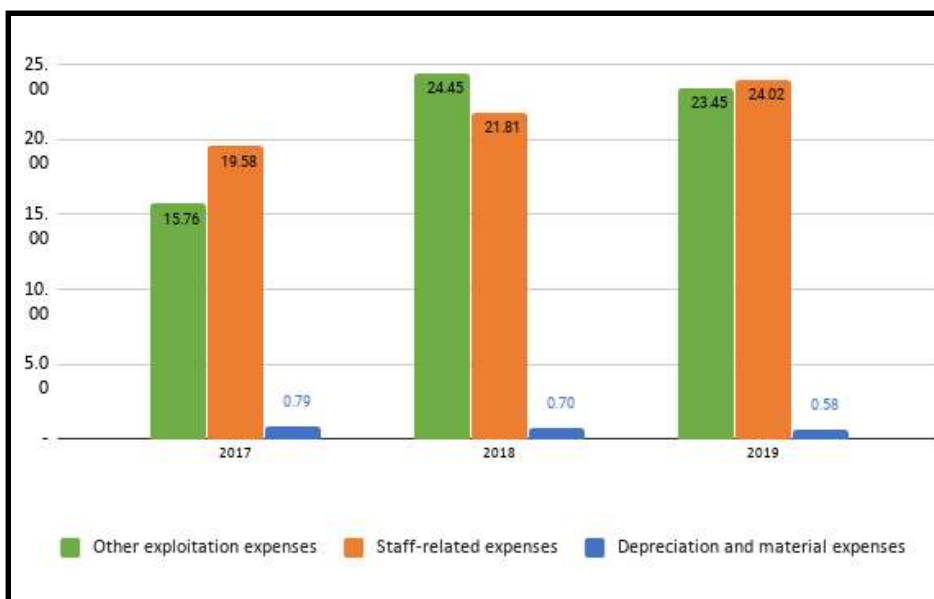


Chart: Structure of operating expenses, QUALITANCE QBS SA, 2017 - 2019, (m RON)

On December 31st, 2019, operating expenses reached a consolidated value of RON 51.02 m, of which RON 48.05 m represent the expenses incurred by QUALITANCE QBS SA, RON 2.3 million represent expenses incurred by QUALITANCE Australia and RON 0.67 million represent the expenses of QUALITANCE US (after eliminating intragroup transactions).

The structure of consolidated operating expenses for the period December 2017 - December 2019 is illustrated in the chart below:

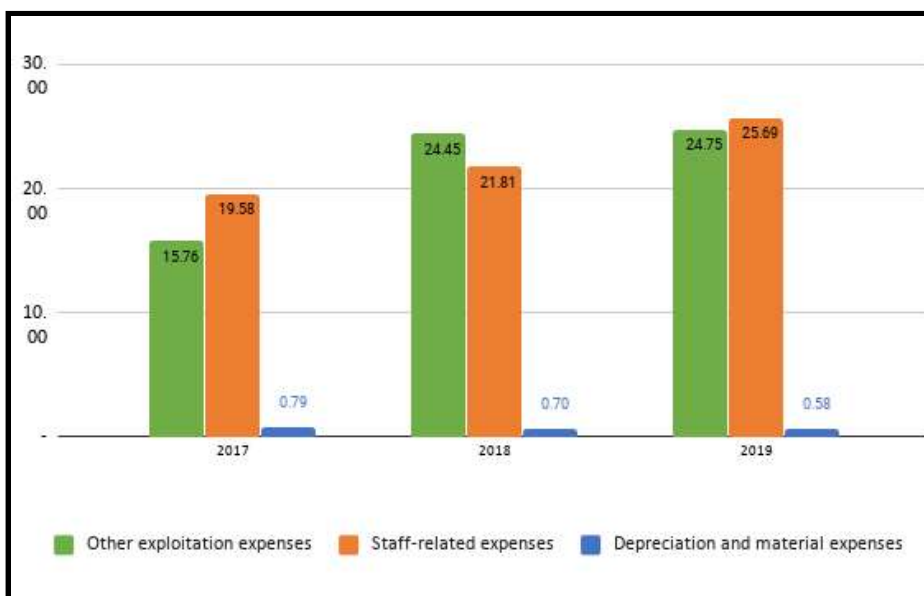


Chart: Structure of group's operating expenses (QUALITANCE QBS SA, QUALITANCE Australia, QUALITANCE US), 2017 - 2019, (m RON)

Financial results achieved by QUALITANCE QBS S.A. in 2019 were positive, profits amounting to RON 77 k were reported, due to favorable exchange rate differences following the revaluation of financial assets in foreign currency (receivables, liabilities, credit balance). Compared to 2018, when the Company reported losses of RON 0.12 m, this year's financial result was a positive one.

Net results reported by QUALITANCE QBS SA for the financial year 2019 are profits amounting to RON 2.7 m, a decrease by RON 1.13 m compared with results of FY 2018.

At group level, consolidated net results (QUALITANCE QBS SA, QUALITANCE Australia and QUALITANCE US) for the financial year 2019 were profits amounting to RON 2.4 m, of which QUALITANCE QBS SA reported profits amounting to RON 2.7 m, whereas QUALITANCE Australia reported losses of RON 13 k and QUALITANCE US losses amounting to RON 0.28 m.

Chart: Consolidated Profit and Loss Account, Dec. 2019
(QUALITANCE QBS SA, QUALITANCE Australia and QUALITANCE US); (m RON)

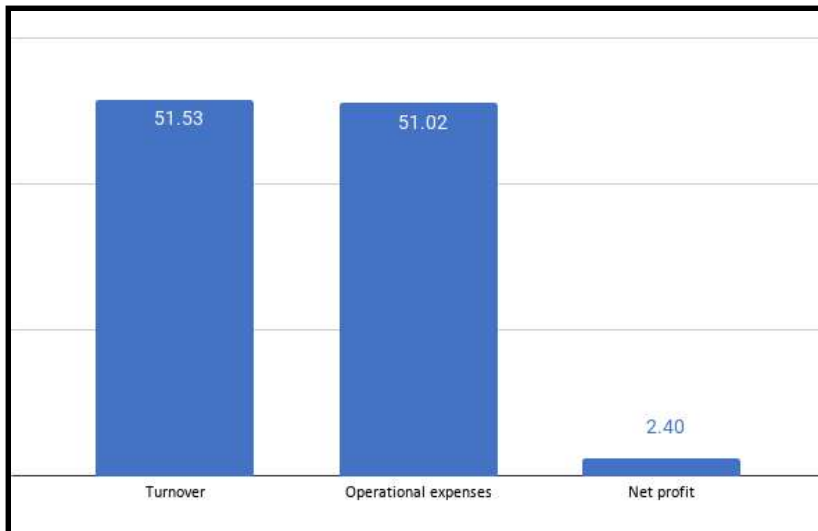
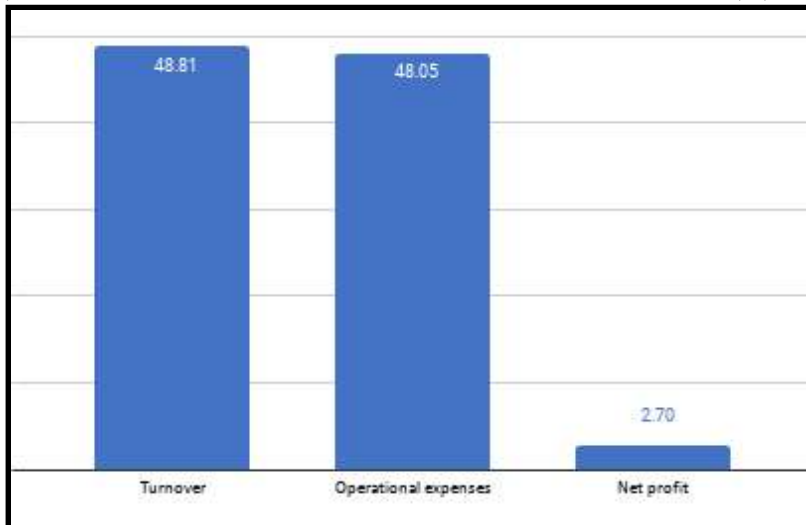


Chart: Profit and Loss Account 2019, QUALITANCE QBS SA (m RON)

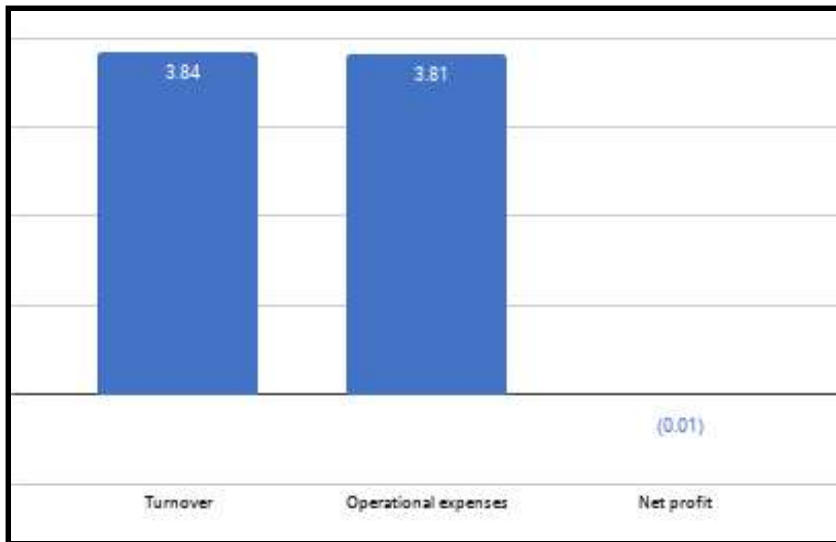


Chart: Profit and Loss Account 2019, QUALITANCE Australia (m RON)

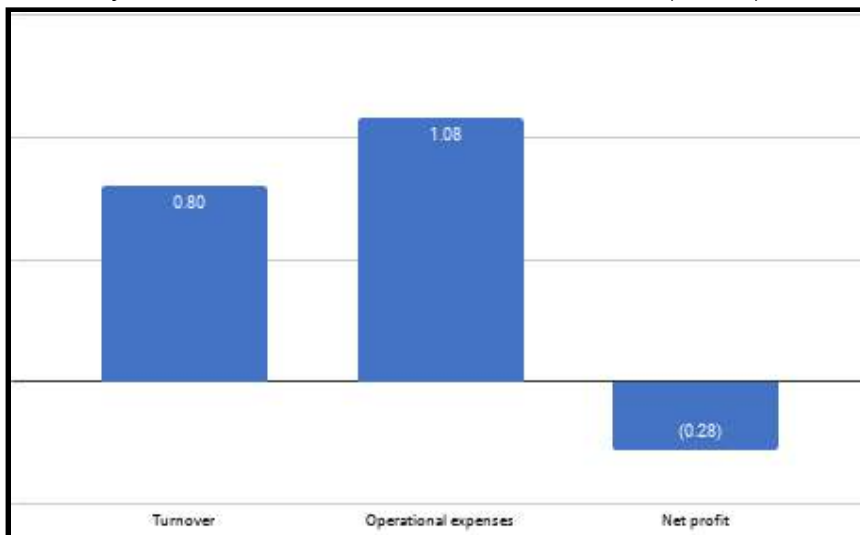


Chart: Profit and Loss Account 2019, QUALITANCE US (m RON)

Financial Status

In December 2019 QUALITANCE QBS S.A. has total assets amounting to RON 24.36 m, an increase by 48% (RON 7.9 m) compared to 2018 (RON 16.46 m).

The financial assets of QUALITANCE QBS S.A. reached the value of RON 2 m, increasing by RON 0.75 m (58%) compared to 2018 (RON 1.25 m), as a result of the increase of the participation options held in ReadyUp, but also due to the investments within the group entities (QUALITANCE Australia and QUALITANCE US). Between ReadyUp and QUALITANCE QBS SA there is a participation option agreement, called SAFE (Simple Agreement for Future Equity), the holder of the option being QUALITANCE QBS S.A.

The Company records an increase of RON 1.9 million in stocks, due to the capitalization within unfinished production of the development of reusable technological components, part of a technology platform that QUALITANCE QBS SA wants to use in future projects in 2020.

Current assets also increased due to the increase in **cash available in bank accounts**, which at the end of 2019 was RON 7 m, an increase by RON 4.74 m (202%) compared to 2018, as a result of collecting the value of the loan related to the issue of bonds at end of December 2019.

At the end of 2019, QUALITANCE QBS SA had total liabilities amounting to RON 19 m, an increase by 61% (RON 7.2 m) compared to the end of 2018. Trade liabilities decreased by RON 0.33 m (4.6%), taking into account a decrease in operating expenses. Financial liabilities increased by RON 7.2 m (180%), the increase is due to the loan contracted by issuing bonds at the end of December 2019.

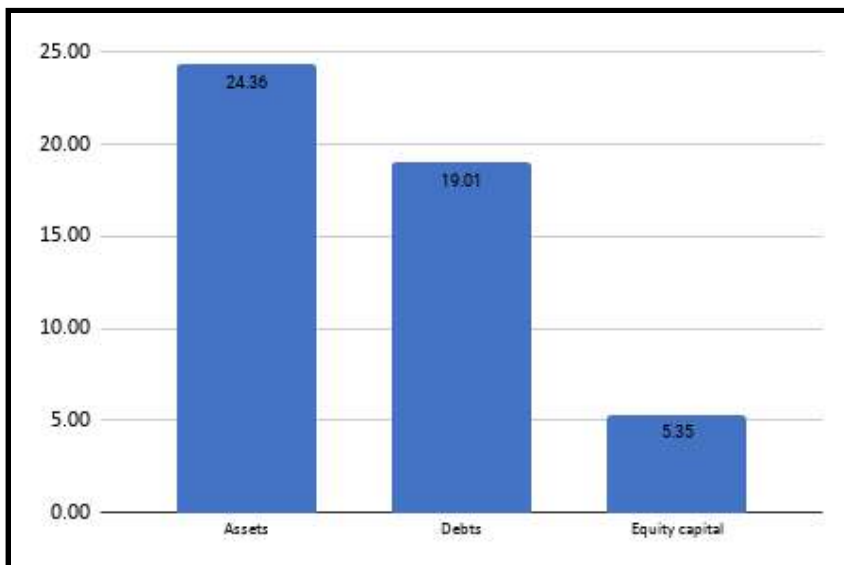


Chart: Financial status of QUALITANCE QBS SA in Dec 2019 (m RON)

At a consolidated level (QUALITANCE QBS S.A., QUALITANCE Australia and QUALITANCE US), total assets amount to RON 24.54 m, amount to which QUALITANCE QBS S.A. contributed RON 23.11 m, QUALITANCE Australia contributed RON 1 m, and QUALITANCE US contributed RON 0.45 m (after eliminating intragroup transactions).

Total liabilities, aggregated at QUALITANCE group level, reached a value of RON 19.46 m, of which QUALITANCE QBS SA accounts for RON 19.01 m, QUALITANCE Australia accounts for RON 0.13 m and QUALITANCE US accounts for RON 0.32 m (after eliminating intragroup transactions).

At the end of 2019, the consolidated equity (net asset value) amounted to RON 5.08 m, of which QUALITANCE QBS SA accounts for RON 5.34 m, QUALITANCE US accounts for RON -0.28 m and QUALITANCE Australia accounts for RON 17 k.

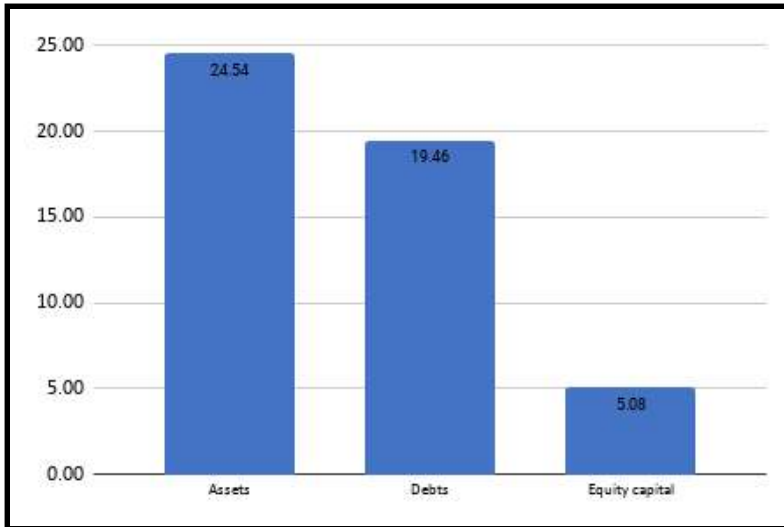


Chart: Consolidated financial status of the group (QUALITANCE QBS SA, QUALITANCE Australia and QUALITANCE US)

Dec 2019 (m RON)

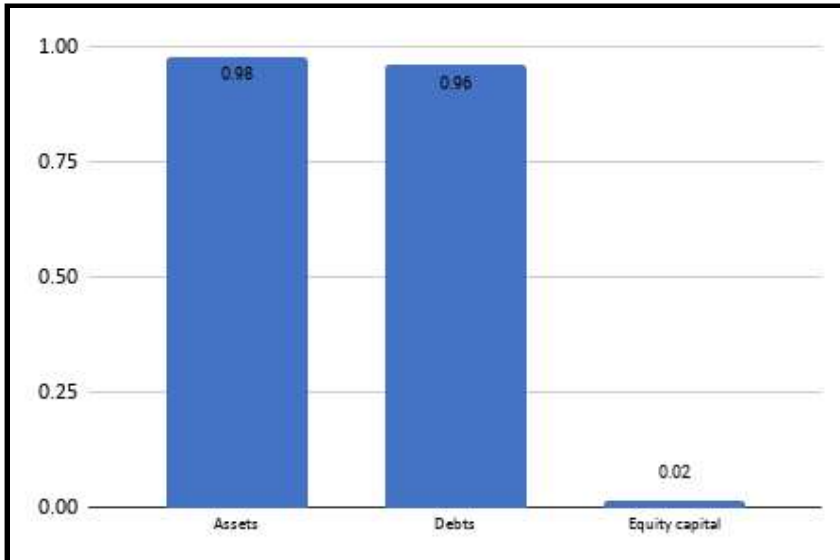


Chart: Financial status of QUALITANCE Australia in Dec 2019 (m RON)

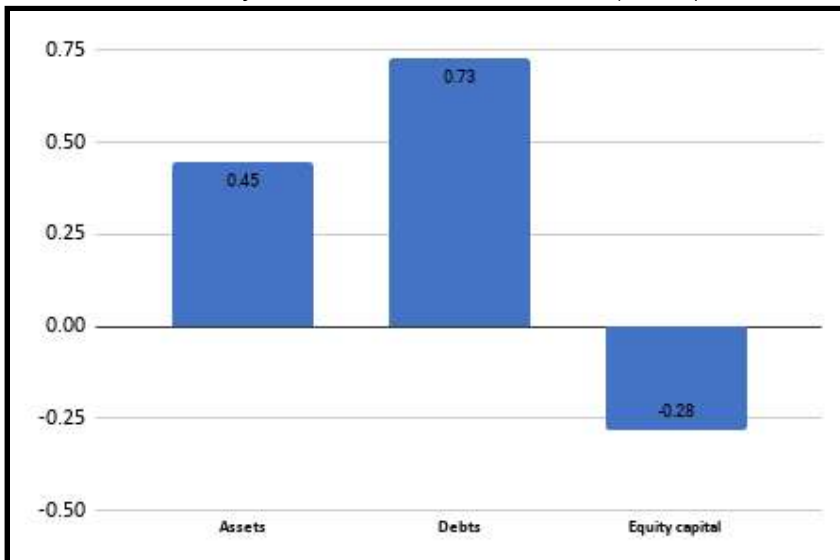


Chart: Financial status of QUALITANCE US in Dec 2019 (m RON)

In a study published in 2019, ANIS estimates that by the end of the year, the local IT market will have reached a volume of 5.9 billion euros - 4.8 billion euros representing the software and services segment, and 1.1 billion other IT market activities. According to the turnover achieved in 2019, QUALITANCE QBS SA contributes to the market value by 1% of the total of 4.8 billion euros - related to the segment in which the company operates.

1.2. Assessment of the Technical Level of the Company

The QUALITANCE Group has two business lines:

1. Technology innovation services
2. Technology outsourcing services

QUALITY QBS S.A. offers, both in Europe and in the United States and Australia, specialized consulting and brand, product and service innovation services and the ability to deliver technology at product level according to the following models:

- **10-week MVP:** accelerated development of digital products and solutions with the help of its own technology platform, which facilitates the creation of an infallible technical MVP in 10 weeks, by streamlining development efforts in terms of infrastructure and generic functionalities.
- **Consulting services in the field of digital transformation and innovation:** identification of digital opportunities and solutions, product market fit strategy, identification and targeting of favorable market segments, creation of digital revenue-generating channels, evaluation, optimization and automation of operational flows and processes.
- **Complete product design and development services:** analysis of current business needs and opportunities, end-user profiling, prototyping, testing and validation of functionalities, product strategy and market fit, development of digital solutions using emerging technologies such as Artificial Intelligence and Machine Learning.
- **Per project/on request software development services, software testing, infrastructure and technical support:** development of turnkey software solutions for corporations and startups.
- **Licensing technological platforms** that accelerate software development by integrating components that allow the increase of software development process efficiency both in terms of duration and cost.
- **External resource integration services for partner companies (suppliers or freelancers):** facilitating access to resources and technical skills to ensure compliance with all processes and procedures imposed and necessary in large corporations;
- **Outsourcing dedicated teams of experts for infrastructure, design and software development, testing:** with the ability to cover a wide variety of technologies, QUALITANCE offers customers the opportunity to benefit from added value without increasing their own wage budget

For the current year, QUALITANCE QBS S.A. does not consider the development of a new product, but aims to continue the development of its own technology platform based on reusable components, through which it accelerates the process of digital product development and exponentially reduces production costs.

Q Technology Platform covers a variety of development needs - from infrastructure, UI / UX, mobile - iOS and Android to web front-end and back-end. Thus, the technical capabilities of the platform allow the creation of a technical MVP in 10 weeks.

The reusable technical components that this platform is based on have been developed and tested over time, in numerous iterations and are subject to a constant process of optimization.

1.3. Assessment of the Technical and Material Supply Activity (Domestic Sources, Imports)

In order to carry out the activity of the two business lines, QUALITANCE QBS SA does not depend on certain suppliers of products or services and there are no “single supplier” situations.

In order to provide services to its customers, the company does not operate with stocks of raw materials or materials.

Most of the services delivered by the company, for which supply from various manufacturers or suppliers is needed, are not subject to price risk due to the large number of manufacturers or suppliers of such products and services.

Considering the above, we estimate that price fluctuations for raw materials and materials do not represent a risk factor for the company.

1.4. Assessment of Core Sales Activity

The QUALITANCE Group offers services on both the local and the international market, where it benefits from the support of the two subsidiaries in Australia and the United States, without having an affiliation to specific industries or verticals.

Up to now, the portfolio of consulting and digital product development services covers a variety of industries - from telecommunications, healthcare and banking, to oil & gas, retail, e-sports and financial services. In the newly generated context of the Covid-19 pandemic, the need for digitalization has become acute in all industries, and our commitment is to solve any concrete business need, regardless of vertical by providing digital solutions.

The Company hasn't identified any direct competitors in Romania, in the field of technology innovation providing consulting services in the area of digital transformation and innovation. In the technology outsourcing segment, the company has numerous competitors, with local competitors focusing especially on this segment.

The main international competitors of the QUALITANCE Group are AKQA, Accenture Interactive and Digitas.

- **AKQA**

Private Innovation Company headquartered in San Francisco, California. Established in 1994, AKQA creates adaptive digital applications and services for major brands such as Activision, Audi, Delta, Nike, Starbucks, Rolls-Royce and Verizon. The company has a global network of 16 offices and over 2000 employees.

- **Accenture Interactive**

Global customer Experience Company. Established in 1989, headquartered in New York, the company offers full design, marketing, content and customer experience services.

- **Digitas**

Global marketing and technology agency headquartered in Boston. Established in 1980, the company has over 10,000 employees worldwide. In 2014, it was acquired by Publicis Group.

On the segment of accelerated development services and consultancy on design thinking, the main international competitors of the Company are: Gigster, Frog Design and Ideo.

- **Gigster**

Private software Development Company in the San Francisco Bay Area. Founded in 2013, Gigster is in the Series B stage of investment, attracting USD 32.6 million in investment to date, valued at nearly USD 1 billion, and reporting revenues of USD 50 million. The company has between 500 and 1,000 employees.

- **Frog Design**

Global design and strategy company for brands, products and services. Founded in 1960, Frog Design is headquartered in San Francisco and has a team of 501-1,000 employees in studios in Austin, New York, San Jose, Seattle, Milan, Amsterdam, Stuttgart and Shanghai.

- **Ideo**

Global innovation and design consulting company that offers design-focused marketing solutions for the public and private sector. Some of Ideo's customers: Procter & Gamble, Pepsi, Microsoft, Nokia, Intel, Eli Lilly, Samsung and Steelcase. Established in 1978, the company is headquartered in Palo Alto, California, and has a team of 501-1,000 employees.

1.5. Evaluation of Aspects Related to the Employees / Staff of the Issuer

In December, the total number of employees was 156 people, the largest share being 59% in technology outsourcing, followed by 28% in technology innovation and 13% in administration services.

Below you can see the delimitation of the number of employees per business line, in December 2019.

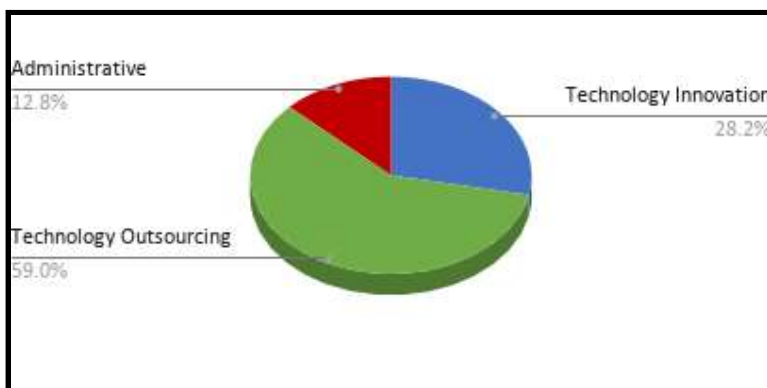


Chart: Employees assigned to business lines in December 2019, QUALITANCE QBS SA

The evolution of the number of employees during the last 3 years within QUALITANCE QBS SA is presented in the table below:

No. of Employees	2017	2018	2019
Technology Innovation	47	50	44
Technology Outsourcing	96	98	92
Administrative area	16	23	20
Total	159	171	156

Table: Evolution of QUALITANCE QBS SA employees December 2017 - December 2019

In the chart below you can see the distribution of employees by positions (excluding administrative staff), at the level of the two business lines of QUALITANCE QBS SA, in December 2018 and December 2019:

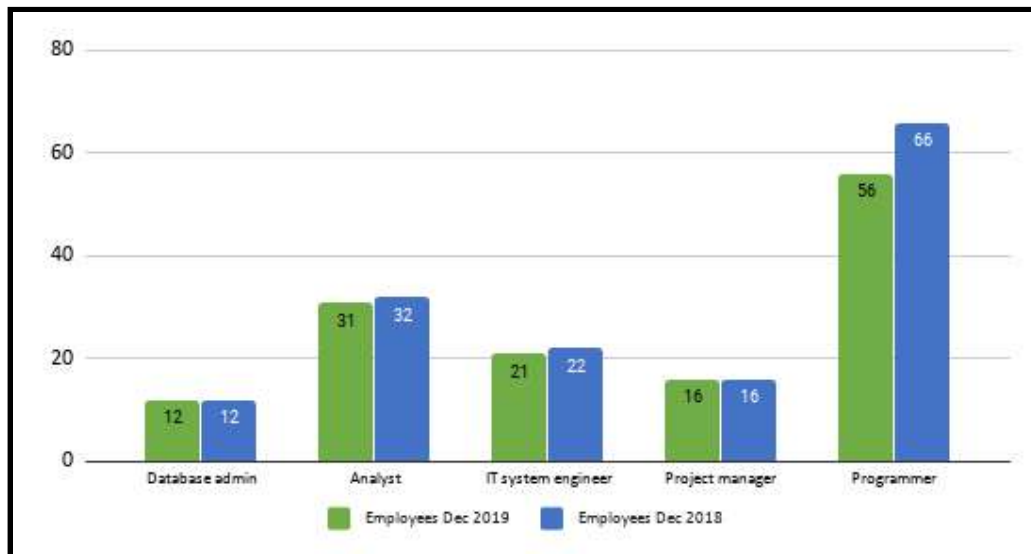


Chart: Positions employed in QUALITANCE QBS SA in December 2018 and December 2019

At consolidated level, the total number of employees on December 31st, 2019 is 164 people, of which 156 employees of QUALITANCE QBS SA, 7 employees of Qualitance Australia and 1 employee at QUALITANCE US, the two subsidiaries contributing to the increase in the number of employees in the line of business technology innovation.

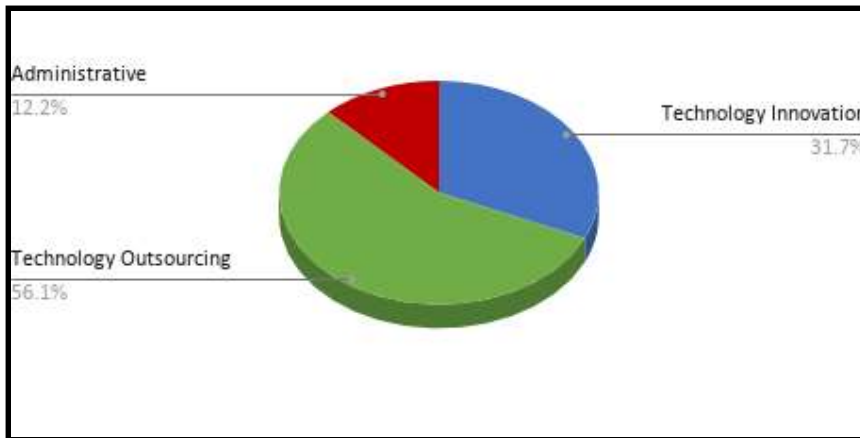


Chart: Employees assigned to business lines in December 2019

at group level (QUALITANCE QBS SA, QUALITANCE Australia and QUALITANCE US)

Within QUALITANCE QBS SA, all employees have academic degrees, trainings and specialized accreditations. The company encourages and supports employees to develop professionally, to get involved in improving the services and products offered to customers. The company provides staff with a constantly updated online training platform, thematic workshops, as well as a specialized library with the latest published materials.

The company's employees are not organized in unions and in the history of the company there have been no conflict situations between management and employees.

1.6 Assessing the Aspects Related to the Impact of the Issuer's Core Business on the Environment

The activity of QUALITANCE QBS SA and its subsidiaries involves the provision of services in the field of information technology having a low impact on the environment. However, the company aims to comply with quality standards in terms of services provided so that it has implemented the international standards for environmental management SR EN ISO 14001: 2015 and ISO 14011: 2015.

By obtaining the ISO 14001 certification, the company has a management system that helps reduce the level of environmental pollution and waste of energy to a minimum. Thus, by implementing and certifying according to ISO 14001, by involving management, employees and collaborators, QUALITANCE QBS SA supports environmental protection and pollution prevention, through a systematic environmental management of areas and activities that have an impact on the environment.

Also, by adhering to the Code of Business Conduct of the RBA (Responsible Business Alliance), QUALITANCE QBS S.A. ensures that the provision of innovative and high-quality services is carried out responsibly, considering the employees, the community in which they operate and the environment. The Code of Conduct includes and supports commitment to social responsibility, occupational health and safety, environmental protection, business integrity. At the same time, after the external audit carried out at the beginning of 2020, QUALITANCE QBS SA reached a 100% compliance with the requirements of this code of conduct and thus achieved the highest standard of excellence.

There are no disputes and we do not expect the emergence of disputes related to environmental protection.

1.7 Assessment of Research and Development Activities

Reporting expenses of the financial year, as well as those that are expected to occur during the next financial year for the activity of research and development

Part of the revenues registered by QUALITANCE QBS SA in the technology innovation segment is represented by the revenues from the research and development activity.

The research and development expenses incurred in 2019 by QUALITANCE QBS SA are amounting to RON 1 m, represent current expenses and are financed from the Company's own (private) sources.

1.8 Assessment of the Issuer's Activity regarding Risk Management

The presentation of risk factors below follows a random order, the company being exposed to a series of risks that the Company's management is aware of, making efforts to anticipate and neutralize them. However, management cannot guarantee results, some events and risks being out of the Company's control.

Price Risk

Price risk is a part of market risk, which may arise from fluctuations in prices of services offered by the Company, with the consequence that existing contracts become unprofitable.

This risk concerns: the risk of price fluctuation in fixed expenses and the risk of price fluctuation for elements that make up the variable expenses of the company's projects.

QUALITANCE QBS SA tries to minimize price risks with the following actions:

- The company does not have fixed price contracts for successive deliveries over long periods of time. If there are customers who request such a price, then QUALITANCE QBS SA will include clauses limiting price variation.
- In case of increasing labor costs, not having fixed price contracts with customers, the company can offer prices, taking into account the current situation. In the information technology market, labor costs are rising, which affects the entire industry, not just the Company.
- Having a pricing policy in place that aims to update these terms according to the evolution of market prices, while maintaining a competitive price level both locally and internationally

Credit risk

This is the risk that certain customers will not fulfill their obligations under a contract, thus leading to financial losses. The company is exposed to credit risk from its operating activities (mainly for foreign trade receivables).

In order to minimize the risk, the company periodically analyzes and monitors its clients; however, it has identified no method to completely eliminate this risk.

Risks Associated with Interest Rates and Financing Sources

In case of deterioration of the economic environment in which the company operates, it could be impossible to contract a new loan under the previous conditions, which could lead to increased financing costs and would affect the financial status of the company.

Liquidity risk

Liquidity risk is correlated with holding fixed or financial assets and transforming them into liquidities. The company's activity does not depend on the ownership of such assets and their transformation into liquidity. The company's assets are represented by technological equipment used in providing services to customers. Of the total assets, the largest share is represented by bank credit balances and receivables. Under these circumstances, the most important risks for the company are cash flow and credit risk.

Transfer Price Risks

The risks of transfer prices are manifested when transactions between affiliated entities are not concluded at arm's length. As a precautionary measure against exposure to this risk, QUALITANCE QBS SA has implemented a transfer pricing policy, validated by consultants specialized in the field of transfer pricing, which establishes the methodology for calculating prices for transactions within the group. Every six months, these prices are reviewed and, if necessary, updated, so that the transfer pricing policy is observed.

The Risk of Exchange Rate Fluctuations and Inflation

Currency risk is manifested by the possibility of recording losses, either as a result of keeping or collecting a currency, or due to performing foreign exchange operations, at a later predetermined date.

Currently, Romania's official currency has a variable exchange rate regime, with monthly fluctuations. The company is exposed to foreign exchange risk through the cash it holds and through revenues from clients abroad. Receivables and payables in foreign currency are expressed in RON, at the exchange rate applicable on the date of the balance sheet, as published by the National Bank of Romania. The differences resulting from the exchange rates are recorded in the profit and loss account, and they do not impact the cash flows until the moment of liquidation of the liability or receivable.

The Company faces a currency risk related to the bond loan in EUR, under the circumstances in which its majority revenues are in RON, USD and AUD.

The risk of inflation can occur when the inflation rate rises above the expected level, and could lead to a decrease in purchasing power of companies, aspects that can have a negative impact on the financial status of the Company.

General Economic Risks

The activities of QUALITANCE QBS SA are influenced by economic cycles and by general economic conditions. Both the international financial crises and the unstable economic environment can lead to significant negative effects on the activity, operational results and financial position of the Issuer. Social and political uproar can also influence the activity of the Company.

International financial markets have felt the effects of the global financial crisis in 2008. These effects were also present on the Romanian financial market in the form of low liquidity of the capital market, as well as by an increase in medium-term financing interest rates, due to the global liquidity crisis. In future, such a scenario could be repeated and possibly significant losses suffered by the international financial market, with major implications on the Romanian market, could affect the Company's ability to obtain new loans or financing under sustainable conditions.

In addition to the Romanian market, the group's activity is impacted by economic and market developments in Australia and the United States.

Risks Due to Changes in Technology

Because the evolution of technology plays a core role in the company's activity, anticipating changes in this field can improve the position of QUALITANCE QBS SA on the market. Just as any hesitation, delay or error in predicting the evolution of technology or in acquiring, developing, offering the most appropriate solutions to customers can result in a reduction or even loss of customer portfolio for the Company.

Such a risk can lead to a decrease in income sources and a decrease in the company's market position. Thus, QUALITANCE QBS SA invests in the development of IT services offered, providing its customers with the latest technologies and developments in the IT industry.

Risks Associated with the Development Plan

Despite the estimations of the Company and due to reasons that are not related to the Company, the plans to expand the activity of the Company, both domestically and in foreign markets may not be feasible. In case of certain investments made by the company, they may not be as profitable or even unprofitable compared to initial estimates, which led to the decision of making such investments, which could have a significant negative effect on the business, the financial status or operating results of the Company.

Operational Risks

Computer systems are vulnerable to a number of external or internal challenges, such as computer viruses, illegal or bad faith access to computer systems, physical damage to vital IT centers, and software or hardware failures. In addition, other operational risks may arise as a result of processes or procedures improperly applied by persons within the company, or caused by the inefficiency of systems, or events external to the company. The materialization of such risk, but also cyber security risks, are met by implementing internal procedures, as such risks could have a significant negative effect on the activity, financial status or operational results of the Company.

The company's management aims to reduce the effects of this risk, by implementing the necessary processes and procedures according to the international information security standard

ISO/CEI 27001:2018 respectively ISO/ISEC 27001:2013. To the extent that the analyzed risk arises, the Company's interests are covered by general professional liability insurance in the field of information and communications technology that covers the insured risks.

Risks Related to Significant Customers

The Company provides technology outsourcing services, this activity representing one of the main business lines of the company. There is a risk, in case of unfavorable situations, that the company does not renew or reduce the contracts with certain important clients, which could lead to a significant negative effect on the activity, financial status or operational results of the company.

Reputational Risks

Across the activity of QUALITANCE QBS SA, its reputation is particularly important in obtaining new contracts and providing services. The ability to expand its client portfolio, but also to keep the existing customers, in order to develop the company's activity, depends on acknowledging the company's capability and the projects already carried out by it. In the field in which the Company operates, criteria such as timely delivery prompt response to customer enquiry, development of desired product, but also remedy of possible issues encountered in the relationship with customers can become decisive in improving the Company's reputation. Negative publicity and negative public opinion are factors that lie beyond the direct control of QUALITANCE QBS SA and can have a significant negative effect on the activity, financial status or operational results of the Company.

GDPR-related Risks

The Company is currently implementing a procedure regarding the confidentiality of personal data, in order to exclude exposure to the violation of the legal provisions governing the protection of personal data in force in the European space. The company takes this risk into account and takes precautionary measures in order to protect customer data, in accordance with the legal requirements in force. Although QUALITANCE QBS SA takes all precautionary measures imposed in this field, there is a possibility, considering that the Company has commercial relations with various contractual partners, that they not fully comply with the relevant contractual terms and all data protection obligations imposed on them.

Current risks - COVID pandemic

At the date of this report, in Romania, as well as worldwide, the coronavirus pandemic is in full swing, affecting both national and international economy. Although this is still an evolving situation at the time of this report, so far there has been no significant impact on the operations of QUALITANCE QBS SA, however, future effects are unpredictable. There are many scenarios that may occur in the next period (contract restrictions, payment incapacity of customers) and may affect the activity of QUALITANCE QBS SA, but management will continue to monitor the potential impact and take all possible measures to mitigate possible effects.

1.9. Outlook on the Activity of the Issuer

The Company's goal for 2020 is to continue the strategy of nurturing the team and its skills, developing its own technology platforms, consolidating its global presence through new entities or acquisitions.

In 2020, we focus on expanding our portfolio with new clients, especially in the financial sector and energy sector. We also aim to capitalize on the business models that best define us and create value for our customers:

- **"10-Week MVP"**, through which, with the help of our own technology platform, we streamline the efforts to develop digital infrastructure and generic functionalities and we manage to build stable and safe MVPs in 10 weeks, in any given segment of the market;
- **"Business 5.0"**, through which we build and scale digital businesses, focusing on the accelerated development of digital solutions, as well as innovation strategies, product design, marketing, user experience, design concepts and behavioral psychology.

During this difficult time from a human, social and economic perspective, we focus on supporting a series of initiatives sustaining the community and providing stability and quick digital solutions for all our customers and partners.

2. Tangible Assets of the Issuer

2.1. Specifying the Location and Characteristics of Main Production Capacities Owned by the Issuer

QUALITANCE QBS SA includes in the category of tangible assets the computing technique (laptops, servers, mobile phones), office furniture, multifunctional printers, cars and indoor furnishing.

2.2. Description and Analysis of Issuer's Properties Degree of Wear

The tangible assets owned by the company have a degree of physical wear and tear specific to office activity.

2.3. Potential Issues related to Property Rights of Tangible Assets of the Issuer

QUALITANCE QBS SA hasn't encountered any problems so far regarding the property right over tangible assets.

3. Status Securities Market for Securities Issued by Issuer

3.1. Specifying the Markets in Romania and Abroad Where Issued Securities Are Negotiated

QUALITANCE QBS SA has issued nominative, unsecured, non-convertible corporate bonds, which are traded, as of March 31st, 2020, on the SMT market of the Bucharest Stock Exchange, trading symbol Q22E.

The bond issue was decided at the Extraordinary General Shareholders' Assembly of QUALITANCE QBS S.A. of December 3rd, 2019, by which the shareholders approved the issuance by the Company of a maximum of 4,000 registered, non-guaranteed and non-convertible corporate bonds, are issued to a securities account of the authorized intermediary, with a nominal value of 500 euros (EUR) each and a maximum total nominal value of EUR 2,000,000, denominated in the single European currency (EUR), without an issue premium, with a final maturity of no more than 3 years, with a fixed coupon rate in the range of 4.5% - 5.5% per year and which are redeemable in full, not partially, before reaching their maturity, at the initiative of the Company, starting with the second year of life of the bonds, in accordance with the law, including the offer of a redemption premium.

The bond issue was sold to investors through a private placement, carried out by the Issuer through SSIF Tradeville SA, between December 9th-11th, 2019 (a bond sale offer addressed to a number of less than 150 individuals or legal entities, per Member State of the European Union, without drawing up and publishing a prospectus).

At the close of the placement, QUALITANCE QBS S.A. issued a total of 3,000 unsecured corporate bonds, denominated in EURO, with an individual nominal value of EUR 500 and a total value of EUR 1,500,000, having the following characteristics: issue date December 16th 2019, maturity date December 16th, 2022, annual fixed coupon rate of 5%, the coupon being paid semi-annually.

As of March 31st, 2020, the bonds issued by QUALITANCE QBS SA are traded on the SMT - Bonds market of the Bucharest Stock Exchange, trading symbol Q22E.



Chart: Bond trading history QUALITANCE QBS SA

Maturity:

The Maturity Date of the Bonds is within 36 months from the Issue Date, i.e. December 16th, 2019.

Coupon Rate (Interest Rate):

The nominal annual interest rate is fixed, of 5% per year, the coupons being payable semi-annually on the Coupon Payment Dates. The coupon period started from the Issue Date, December 16th, 2019.

The coupon (interest) is calculated based on the principle "act / 365" (i.e. by reporting the actual number of days that have passed from a coupon period to a number of 365 days representing a year. The coupon (interest) is calculated according to the principle: "the first day of the calculation period included, the last day of the calculation period excluded".

The bonds issued bear interest starting with the Issue Date, respectively December 16th, 2019.

Payment of Interest and Principal:

The coupon and principal payments, as the case may be, will be made semi-annually to the Bond Holders registered on each of the Reference Dates, within **10 (ten) working days** from the Reference Date.

3.2. Description of the Company's Policy on Dividends

Listing of dividends due / paid / accumulated during the last 3 years and, if applicable, the reasons for the possible reduction of dividends during the last 3 years.

By resolution no. 2 / 03.12.2019 of the Board of Directors, the Company approved the dividend allocation policy, which establishes the guidelines for the calculation, statement and payment of dividends.

The company's management will continue to ensure a balance between the reinvested profit and the one distributed to the shareholders by means of dividends.

According to the legislation in force, the company calculates and distributes dividends only when (i) according to art 69 / Law 31/1990, the net assets of the company are higher in value than the level of share capital, (ii) after meeting the legal conditions for establishing reserves (minimum reserve by law) respectively (iii) the financial result is higher than the value of the share capital, subsequent to its replenishment, if applicable, cumulated with the value of the legal reserves.

The actual value of dividends to be distributed to the Company's shareholders will be approved by the General Shareholders' Assembly, based on the Company's annual financial statements, as they have been verified and approved by the Company's financial auditor.

Dividends will be distributed to the Company's shareholders in proportion to their share of the paid-up share capital.

In 2020, the Company approved by the General Shareholders' Assembly Resolution no. 3 / 23.04.2020 the distribution and payment of dividends amounting to RON 1,560,000, which will be paid equally, until the end of 2020. The amount of dividends represents 40% of the total value to be distributed (RON 3,920,689), the percentage complying with the dividend granting policy approved at company level, being mentioned in the presentation document by which the bond loan was obtained and in the memorandum submitted for admission to trading bonds at the Bucharest Stock Exchange.

3.3. Description of any Activities of the Issuer for the Acquisition of Its Own Shares

Not applicable for QUALITANCE QBS SA.

3.4 If the Company has Subsidiaries, Specifying the Number and Nominal Value of Shares Issued by the Parent-Company and Held by Subsidiaries

On December 31st 2019, the Company holds two subsidiaries:

- QUALITANCE Australia PTY LTD., 100% held by QUALITANCE QBS S.A.
- QUALITANCE US INC., 100% held by QUALITANCE QBS S.A.

These two entities were created for facilitating expansion in international markets and attracting new customers.

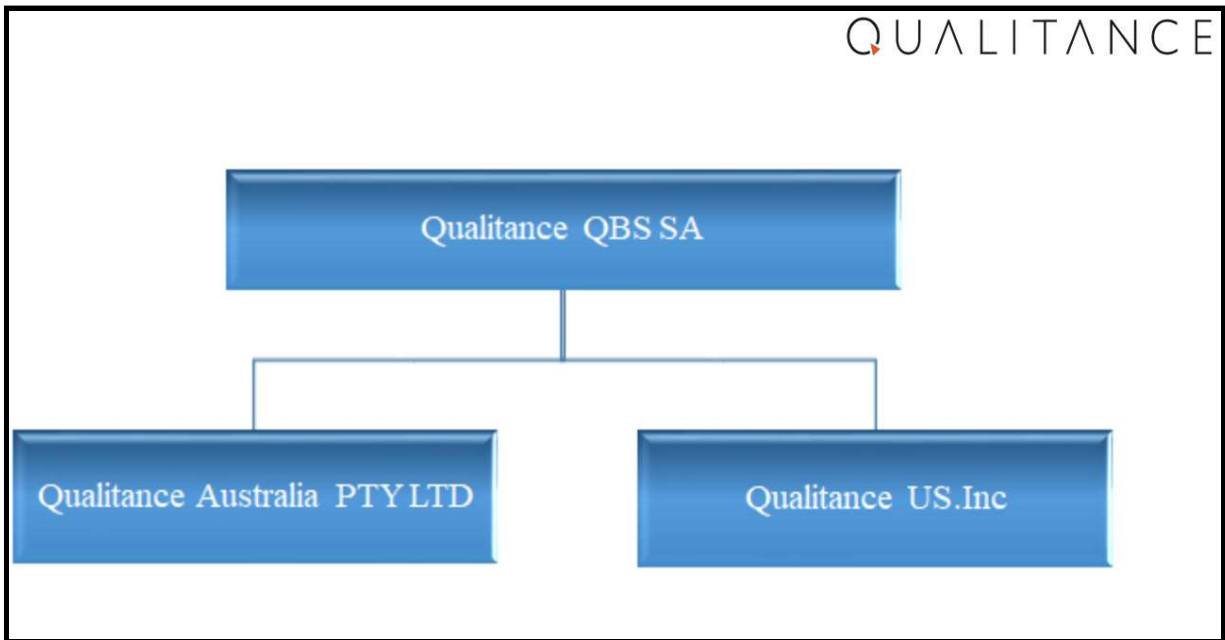


Chart: QUALITANCE Group Structure

3.5. Payment Methods for the Payment of Liabilities towards Holders of Bonds Issued by Issuer.

QUALITANCE QBS SA is to make the payment of the first coupon on June 16th, 2020, to bondholders registered on the reference date May 29th, 2020. Payment will be made through the Central Depository system.

4. Management of the Issuer

4.1. List of the Issuer's Administrators

The administration of QUALITANCE QBS S.A. is ensured by a Board of Directors consisting of:

- Radu Constantinescu, Chairman of the Board
- Maria Popescu, Board Member
- Serban Chiricescu, Board Member

The members of the Board of Directors have a mandate of 2 years, with the possibility of renewal, starting with November 26th, 2019.

None of the administrators has any agreement, understanding or family connection with a person due to whom he/she was appointed administrator.

About the members of the board of directors

RADU CONSTANTINESCU - Chairman of the BoD

In 2003, Radu began his academic career at the Academy of Economic Studies in Bucharest.

He debuted as a university trainer, reaching in 10 years a doctoral associate professor at the Faculty of Cybernetics, Statistics and Economic Informatics.

Also, Radu was the director of 3 research projects funded by the European Commission and Fraunhofer Institute.

Radu is a graduate of the Faculty of Cybernetics, Statistics and Economic Informatics within the Academy of Economic Studies in Bucharest (2003), where he subsequently pursued the master's program in business informatics (2004) and obtained his doctorate in economic informatics (2008).

Radu Constantinescu owns 50% of the total number of shares issued by the Company, respectively 50% of the total number of voting rights.

MARIA POPESCU - IT Services

Maria has been coordinating the technology outsourcing division of the company for almost 10 years.

Through her extensive experience and strategic vision, Maria has helped the company build long-term and valuable partnerships with market leaders such as IBM and Sparkware.

Maria has an overall experience of 15 years in Human Resources, and prior to QUALITANCE she worked as HR Manager and Consultant.

During her time with QUALITANCE, Maria contributed as a HR Consultant and a Client Partner.

She holds specialty certificates and qualifications with Romarketing and ASEBUSS (Romanian-American Business School). Maria Popescu does not currently hold shares in the Company.

SERBAN CHIRICESCU - Research & Development

Serban coordinates R & D initiatives. An architect of solutions and systems, Serban has 10 years of experience and an extraordinary training in the field of technology - from software development and integration to architecture and software infrastructure.

Serban has been with the company for 5 years, previously holding consultancy roles in Architecture Infrastructure and Application Development.

Serban Graduated from the Faculty of Automated Control and Computers within the University Politehnica of Bucharest.

Serban Chiricescu does not currently hold shares in the Company.

The Board of Directors of Qualitance QBS SA operates in accordance with the provisions of the Articles of Incorporation and has the following main attributions:

- A. To establish the main directions of activity and development of the Company;
- B. To establish the accounting policies and the financial control system of the Company and to approve the financial planning of the Company;
- C. To supervise the activity of the directors;
- D. To prepare and submit to the Shareholders' General Assembly the annual report on the Company's activity;
- E. To organize the Shareholders' General Assembly and to ensure the implementation of the resolutions of the Shareholders' General Assembly;
- F. To prepare and update the Company's records, provided by the applicable legislation;
- G. To approve any expenditure or investment in a total amount of less than EUR 150,000/year, respectively less than EUR 50,000 per operation; this restriction does not apply if the respective expense or investment falls within the Company's budget approved for that year;
- H. To adopt any decisions regarding:
 - any of the matters delegated to the Board of Directors by the Shareholders' General Assembly and/or
 - any other matters that are not expressly reserved within the competence of the Shareholders' General Assembly, according to the applicable law;

4.2. Executives

The persons involved in the company's executive team are the following:

IOAN IACOB - Co-founder of QUALITANCE & Deputy General Manager

In QUALITANCE, Ioan holds the position of **Deputy General Manager** and coordinates the business development and R&D division.

During the period prior to the establishment of QUALITANCE (2007), Ioan collaborated with Ubisoft, Gameloft, Blazent, Adobe and IBM. Within these companies, Ioan covered a variety of roles: from analyst in testing and developer in Java to engineer, consultant and director of software testing.

Also, between 2003-2004, Ioan taught as a university assistant at the Polytechnic University of Bucharest.

After 7 years of active collaborations with startups in Silicon Valley and large companies, in 2007 Ioan founded QUALITANCE together with Radu Constantinescu - the school colleague and his childhood friend.

Ioan graduated from the Polytechnic University of Bucharest (2003). Ioan Iacob owns 50% of the total number of shares issued by the Company, respectively 50% of the total number of voting rights.

RADU CONSTANTINESCU - Co-founder of QUALITANCE & General Manager

At QUALITANCE, Radu holds the position of **General Manager**, coordinating the operations area (including delivery centers) and finance. Radu is also Chairman of the Board of Directors.

QUALITANCE Australia PTY LTD & QUALITANCE US INC.

Mike Parsons - General Manager

At QUALITANCE, Mike leads the product and service innovation division and coordinates teams in Australia and North America.

Until 2016, when he joined QUALITANCE, Mike created innovation and design projects in Silicon Valley. Mike's experience in advertising is huge - he has led leading agencies such as 215 McCann and MRM Partners, has collaborated with major brands such as VW, Hasbro, Philips, Xbox, Halo, HP, Microsoft, KLM Air France and has received numerous prestigious awards. - DA&D Pencils, Cannes Lion's, Effie's, TED. At Factory Agency, Mike led the product innovation and marketing program for market leaders such as Levi's, Nike, P&G and Wells Fargo.

Mike is also an advisor for Gradient - a smart digital marketing agency, as well as a number of Fortune 500 companies - Nike, Xbox, Levi's, Johnson & Johnson, News Corp and Breville.

An entrepreneurial spirit, Mike created LaunchPodium - one of the first experience design and storytelling startups in Silicon Valley, which in 2016 was acquired by QUALITANCE.

Together with Chad Owen, Mike launched the podcast on innovation [Moonshots Podcast](#).

His experience in innovation, design thinking, lean startup and methodology Agile has been the subject of prestigious publications such as CNN and Financial Times, but also of many conferences on technology and innovation, where he was invited as speaker - iCEE.fest 2018, How To Web 2018 or Design Thinking Forum 2017.

Advisory team

RADU CAUTIS – Chairman of the Advisory Board

As chairman of the Advisory Board, Radu holds weekly consulting sessions with QUALITANCE's executive team.

Founder of [Medical Technology Venture Partners](#), Radu has over 15 years of experience in the field of biotechnology and medical technology. Currently, Radu advises and invests in start-ups.

In the past, Radu lead the [Gambro](#) division in South-East Asia and India, which in 18 months increased from 15 to 180 people. Within Gambro, Radu coordinated the launch of the latest generation hemodialysis technology - AK9 and headed the R&D, Marketing, Strategy and Development departments.

Together with his team, Radu coordinated the acquisition of Gambro by Baxter, which acquires the company in a \$ 4 billion transaction.

Radu holds a bachelor's degree in economics from Columbia University and a philosophy degree from Saint Mary's College.

TOM CHI

As part of Google[x], Tom coordinated the development of the Google Glass project and worked on many avant-garde projects, such as Google Cars and Project Loon.

GEORGE T. HABER

One of Silicon Valley's best-known serial entrepreneurs and strategists. George is an angel investor and expert in supporting the long-term and successful development of technology companies, but also in building startups with impressive successes. George is currently a member of the board of several companies - Zoran (Nasdaq: ZRAN), 3Dfx (Nasdaq: TDFX), Intervideo (Nasdaq: IVII), Class Data Systems, acquired by Cisco (Nasdaq: CSCO), Lucid, InterAKT acquired by Adobe (Nasdaq: ADBE), Bitdefender.

George graduated from Computer Science and Electrical Engineering at Technion - Israel Institute of Technology.

ROBERT NEIVERT

Investment partner at 500 Startups, a company that coordinates the Blockchain program. In parallel, Robert is COO in Private.Me and is an advisor for Cardinal Ventures, Stanford iFarm and Stanford Treehacks and 15 other start-ups.

Robert is a graduate of Stanford, Wesleyan and Santa Clara universities.

5. Financial and Accounting Status

Summary of the individual financial status / balance sheet of QUALITANCE QBS SA for the period December 2017 - December 2019

BALANCE SHEET (RON)	Dec 2017 not audited	Dec 2018 audited	Dec 2019 audited
Total amount non-current assets	1,682,720	2,268,042	2,587,951
Tangible assets	1,165,374	899,464	499,654
Intangible assets	76,815	72,199	38,513
Financial assets	440,531	1,296,379	2,049,784
Total Current Assets	10,771,333	14,201,233	21,773,565
INVENTORY	968	44	1,893,366
Trade receivables and other receivables	7,593,114	11,730,635	12,248,934
Cash at hand and in bank	3,095,412	2,346,442	7,086,619
Prepayments	81,839	124,112	544,646
Total Assets	12,454,053	16,469,275	24,361,516
Commercial liabilities	5,205,987	7,268,945	6,931,876
Financial liabilities	5,402,912	4,034,584	11,283,395
Provision		515,697	798,926
TOTAL LIABILITIES	10,608,899	11,819,226	19,014,197
Share capital	100,000	100,000	100,000
Result carried forward			1,335,490
Profit distribution	203,934	261,076	31,626
Current profit / loss	1,367,047	3,826,926	2,697,269
Other reserves	582,041	984,199	1,246,186
Total equity capital	1,845,154	4,650,049	5,347,319
Total equity capital and liabilities	12,454,053	16,469,275	24,361,516

Summary of individual financial results / profit and loss account of QUALITANCE QBS SA, for the period December 2017 - December 2019

PROFIT AND LOSS ACCOUNT (RON)	Dec 2017 not audited	Dec 2018 audited	Dec 2019 audited
Total operating revenue	37,739,989	51,382,387	51,166,670
Turnover	37,641,182	51,230,350	48,805,456
Other operating income	98,807	152,037	2,361,214
Total operating expenses	36,134,416	46,959,865	48,052,350
Expenditures on raw materials and materials	237,464	156,355	145,147
Expenses related to commodities (cost of commodities sold)		3,722	0
Personnel-related expenses	19,583,036	21,808,529	24,019,134
Value adjustments on tangible assets and intangible assets	555,536	542,234	434,866
OTHER OPERATING EXPENSES	15,758,380	24,449,025	23,453,202
Operating result	1,605,573	4,422,522	3,114,320
Financial Revenues	281,986	377,212	639,663
Interest revenues	1,274	3,070	1,878
Other financial revenues	280,712	374,142	637,786
Financial Expenses	423,672	502,310	562,118
Interest expenses	49,322	194,985	143,441
Other financial expenses	374,350	307,325	418,678
Financial result	-141,000	-125,000	77,545
Gross result	1,463,887	4,297,424	3,191,864
Profit tax	96,840	470,498	494,596
NET RESULT	1,367,047	3,826,926	2,697,268
EBITDA	2,068,745	5,034,643	3,770,171

Summary of the consolidated financial position / balance sheet for the QUALITANCE group (QUALITANCE QBS SA, QUALITANCE Australia and QUALITANCE US) for the period December 2017 - December 2019

BALANCE SHEET (RON)	Dec 2017 not audited	Dec 2018 audited	Dec 2019 consolidated / not audited
Total amount non-current assets	1,682,720	2,268,042	2,611,677
Tangible assets	1,165,374	899,464	523,380
Intangible assets	76,815	72,199	38,513
Financial assets	440,531	1,296,379	2,049,784
Total Current Assets	10,771,333	14,201,233	21,928,898
INVENTORY	968	44	1,893,366
Trade receivables and other receivables	7,593,114	11,730,635	11,841,995
Cash at hand and in bank	3,095,412	2,346,442	7,648,891
Prepayments	81,839	124,112	544,646
Total Assets	12,454,053	16,469,275	24,540,575
Commercial liabilities	5,205,987	7,268,945	7,373,983
Financial liabilities	5,402,912	4,034,584	11,283,395
Provision		515,697	798,926
TOTAL LIABILITIES	10,608,899	11,819,226	19,456,304
Share capital	100,000	100,000	130,006
Result carried forward			1,335,490
Profit distribution	203,934	261,076	31,626
Current profit / loss	1,367,047	3,826,926	2,404,215
Other reserves	582,041	984,199	1,246,186
Total equity capital	1,845,154	4,650,049	5,084,271
Total equity capital and liabilities	12,454,053	16,469,275	24,540,575

Summary of consolidated financial results / profit and loss account of the QUALITANCE group (QUALITANCE QBS SA, QUALITANCE Australia and QUALITANCE US), for the period December 2017 - December 2019

PROFIT AND LOSS ACCOUNT (RON)	Dec 2017 not audited	Dec 2018 audited	Dec 2019 Consolidated/ not audited
Total operating revenue	37,739,989	51,382,387	53,892,698
Turnover	37,641,182	51,230,350	51,531,484
Other operating income	98,807	152,037	2,361,214
Total operating expenses	36,134,416	46,959,865	51,024,301
Expenditures on raw materials and materials	237,464	156,355	145,147
Expenses related to commodities (cost of commodities sold)		3,722	0
Personnel-related expenses	19,583,036	21,808,529	25,677,914
Value adjustments on tangible assets and intangible assets	555,536	542,234	463,763
OTHER OPERATING EXPENSES	15,758,380	24,449,025	24,737,477
Operating result	1,605,573	4,422,522	2,868,397
Financial Revenues	281,986	377,212	639,664
Interest revenues	1,274	3,070	1,878
Other financial revenues	280,712	374,142	637,786
Financial Expenses	423,672	502,310	562,119
Interest expenses	49,322	194,985	143,441
Other financial expenses	374,350	307,325	418,678
Financial result	-141,686	-125,098	77,545
Gross result	1,463,887	4,297,424	2,945,942
Profit tax	96,840	470,498	541,726
NET RESULT	1,367,047	3,826,926	2,404,216
EBITDA	2,068,745	5,034,643	3,553,146

Summary of the individual financial position / balance sheet for QUALITANCE Australia and QUALITANCE US for December 2019

BALANCE SHEET (RON)	Dec 2019 QUALITANCE Australia not audited	Dec 2019 QUALITANCE US not audited
Total amount non-current assets	23,726	-
Tangible assets	23,726	
Intangible assets		
Financial assets		
Total Current Assets	955,529	445,283
INVENTORY		
Trade receivables and other receivables	433,185	405,355
Cash at hand and in bank	522,344	39,928
Prepayments		
Total Assets	979,255	445,283
Commercial liabilities	962,059	725,527
Financial liabilities		
Provision		
TOTAL LIABILITIES	962,059	725,527
Share capital	30,006	
Result carried forward		
Profit distribution		
Current profit / loss	-85,012	-280,244
Other reserves		
Total equity capital	55,006	280,244
Total equity capital and liabilities	907,053	445,283

Summary of individual financial results / profit and loss account of QUALITANCE Australia and QUALITANCE US, for December 2019

PROFIT AND LOSS ACCOUNT (RON)	Dec 2019 QUALITANCE Australia not audited	Dec 2019 QUALITANCE US not audited
Total operating revenue	3,841,918	804,692
Turnover	3,841,918	804,692
Other operating income		
Total operating expenses	3,807,598	1,084,936
Expenditures on raw materials and materials		
Personnel-related expenses	1,286,742	372,038
Value adjustments on assets - tangible and intangible	28,897	
OTHER OPERATING EXPENSES	2,491,959	712,898
Operating result	34,320	-280,244
Financial Revenues	0	0
Interest revenues		
Other financial revenues		
Financial Expenses	0	0
Interest expenses		
Other financial expenses		
Financial result	0	0
Gross result	34,320	-280,244
Profit tax	47,130	
NET RESULT	-12,810	-280,244
EBITDA	63,217	-280,244

Cash flow QUALITANCE QBS SA- Indirect method

Item name	Financial year ending on		
	December 31st 2017	December 31st 2018	December 31st 2019
A	1	2	3
Cash flows from operating activities:			
Gross profit	1,463,887	4,297,424	3,191,865
<i>Adjustments for:</i>			
Depreciation and value adjustments related to tangible assets	536,752	508,682	393,067
Depreciation and value adjustments related to intangible assets	18,784	33,552	41,799
Value adjustments related to current assets established / (reversed) during the year	(5,765)	162,831	139,959
Revenue from subsidies	(40,800)	(33,767)	11,611
Provisions for warranties, risks	-	515,697	798,926
Interest expenses		-	143,441
Interest revenues			1,878
Loss / (profit) from the sale of tangible assets	(3,100)	(29,067)	13,845
Operating profit before changes in working capital	1,969,758	5,455,350	4,736,391
Decrease / (Increase) of commercial and other receivables	(171,012)	(4,500,071)	(938,833)
Decrease / (Increase) of stocks	3,835	756	(1,893,322)
Decrease / (Increase) of commercial and other liabilities	1,071,778	2,098,423	(655,131)
Profit tax paid	(310,290)	(281,195)	(449,624)
Net cash from operating activities	2,564,069	2,773,263	799,481
Cash flows from investment activities:			
Payments for the purchase of tangible assets	(552,696)	(548,094)	(51,039)
Payments for the purchase of intangible assets			(8,113)
Payments for financial assets			(753,405)
Revenue from the sale of tangible assets and intangible assets		4,070	-
Interest collected	1,274	3,070	1,878
Net cash from investment activities	551,422	540,954	810,679
Cash flows from financial activities:			
Entries from bonds issued			7,168,950
Loan repayments, net	1,277,172	(1,223,328)	121,483
Payment of debts related to financial leasing	(279,447)	(261,860)	(253,544)
Dividends paid	(1,328,862)	(1,301,107)	(2,142,073)
Interest paid	(49,322)	(194,985)	(143,441)
Net cash from financial activities	380,459	2,981,279	4,751,375
Net (decrease) / increase in cash and cash equivalents	1,632,188	(748,970)	4,740,177
Cash and cash equivalents at the beginning of financial year	1,463,224	3,095,412	2,346,442
Cash and cash equivalents at the end of financial year	3,095,412	2,346,442	7,086,619

Signatures and Appendices

The report will be signed by the authorized representative of the board of directors

During the analyzed period, there were no acts of resignation / dismissal among the members of the administration, executive management or auditors.

The company controls 100% of two entities, as follows:

- shares held in QUALITANCE Australia PTY LTD amounting to RON 31,629
- shares held in QUALITANCE US Inc amounting to RON 126,896

QUALITANCE QBS SA is not controlled by another entity, the main shareholders are:

- Constantinescu Radu holds 50,000 shares, equivalent of RON 50,000
- Iacob Ioan Mihnea holds 50,000 shares, equivalent of RON 50,000

GENERAL MANAGER AND

MEMBER OF THE BOARD OF QUALITANCE QBS SA

RADU CONSTANTINESCU

Appendices

APPENDIX 1. Articles of Incorporation of QUALITANCE QBS valid on December 31st 2019

APPENDIX 2. The audited individual financial statements and the explanatory notes of QUALITANCE QBS SA as of December 31st, 2019

APPENDIX 3. Management report of QUALITANCE QBS SA for the financial year ended on December 31st, 2019

APPENDIX 4. The Auditor's Report on the individual financial statements and the explanatory notes of QUALITANCE QBS SA as of December 31st, 2019

APPENDIX 5. Declaration of the responsible individuals for the elaboration of financial statements

APPENDIX 1. Articles of Incorporation of QUALITANCE QBS valid on
December 31st 2019

**UPDATED ARTICLES OF INCORPORATION OF
QUALITANCE QBS S.A.
J40 / 265 / 2007, fiscal code RO 20438413**

The undersigned:

1. **CONSTANTINESCU Radu, Romanian citizen**, born on [REDACTED] domiciled in

[REDACTED]

and

2. **IACOB Ioan-Mihnea, Romanian citizen**, born on [REDACTED]

[REDACTED]

in accordance with the provisions of law no. 31/1990 republished and amended and in accordance with the articles of incorporation of the Company, we decided to update these Articles of Incorporation (hereinafter referred to as the "Articles of Incorporation"), to reflect the decisions adopted by the Resolution of the General Shareholders' Assembly of QUALITANCE QBS S.R.L. ("The Company") dated November 26th, 2019, as follows:

CHAPTER 1
LEGAL STATUS AND IDENTIFICATION ELEMENTS

Art. 1 Name

The name of the company is **QUALITANCE QBS S.A.**

In all documents, invoices, announcements and publications emanating from the company, its name will be followed by the words "Joint Stock Company" or the initials "SA", the share capital, registered office, registration number at the Trade Register and the unique code of registration.

Art. 2 Legal form

2.1. **QUALITANCE QBS S.A.** is a Romanian legal entity, organized in the form of a joint stock company. It carries out its activity in accordance with the Romanian laws and with the present Articles of Incorporation, which was elaborated and adopted on the basis of these normative acts.

2.2. The legal form of the Company may be modified based on the validly adopted decision of the General Shareholders' Assembly and in compliance with the legislation in force and the provisions of these Articles of Incorporation.

Art. 3 Registered Offices

The Company's registered offices are in **Bucharest, str. Dr. Staicovici Street nr. 2, 7th floor, 5th district.**

The registered office of the Company may be changed, after its establishment, to any address in Bucharest or other places, in Romania or abroad, based on the shareholders' resolution adopted under the conditions of these Articles of Incorporation.

The company can set up subsidiaries, branches, representative offices, offices, agencies, shops, warehouses, work points and the like in Bucharest or other localities in Romania or abroad, with the fulfillment of legal formalities.

Art. 4 Duration

The duration of the Company is **unlimited**.

The Company is a legal entity from the day of its initial registration in the Trade Register.

The duration of the Company may be subsequently amended based on the shareholders' resolution adopted under the conditions of these Articles of Incorporation.

CHAPTER 2

ACTIVITY

Art. 5 The company has the **following main field of activity: NACE-code 620 Information technology services.**

Main activity: NACE Code - 6202 Public relations and communication consultancy activities

Art. 6 The company may also carry out the following **secondary activities NACE Code:**

- Support services to forestry - NACE-code 0240;
- Repair of machines - NACE-code 3312;
- Agents involved in the sale of a variety of goods - NACE-code 4619
- Wholesale of electrical household appliances, radio and TV - NACE-code 4643
- Wholesale of furniture, carpets and lighting equipment - NACE-code 4647
- Wholesale of computers, computer peripheral equipment and software - NACE-code 4651
- Wholesale of electronic and telecommunications equipment and parts - NACE-code 4652
- Freight transport by road - NACE-code 4941
- Relocation services - NACE-code 4942
- Storage - NACE-code 5210;
- Service activities incidental to land transportation - NACE-code 5221
- Other supporting services for water transport services - NACE-code 5222;
- Service activities incidental to air transportation - NACE-code 5223
- Handling - NACE-code 5224;
- Book publishing activities - NACE-code 5811
- Publishing of directories and mailing lists - NACE-code 5812
- Publishing of newspapers - NACE-code 5813
- Publishing of journals and periodicals - NACE-code 5814
- Other editing activities - NACE-code 5819
- Publishing of computer games - NACE-code 5821

- Other software publishing - NACE-code 5829
- Motion picture, video and television programme production activities - NACE-code 5911
- Motion picture, video and television programme post-production activities - NACE-code 5912
- Motion picture, video and television programme distribution activities - NACE-code 5913
- Screening of motion pictures - NACE-code 5914;
- Audio recording activities and music editing activities - NACE-code 5920;
- Radio broadcasting - NACE-code 6010
- Television programming and broadcasting activities - NACE-code 6020
- Cable telecommunications activities - NACE-code 6110
- Wireless telecommunications activities (exclusively by satellite) - NACE-code 6120
- Satellite telecommunications activities - NACE-code 6130
- Other telecommunications activities - NACE-code 6190
- Computer programming activities (customer oriented software)- NACE-code 6201
- Computer facilities management activities (management and operation) - NACE-code 6203
- Other activities and services in the field of information technology - NACE-code 6209
- Data processing, hosting and related activities - NACE-code 6311
- Web portal activities - NACE-code 6312
- Other information services - NACE-code 6399
- Business and management consultancy activities - NACE-code 7022
- Technical testing and analysis - NACE-code 7120
- Research and development in biotechnology - NACE-code 7211;
- Research and development in other natural sciences and engineering - NACE-code 7219;
- Research and development in social sciences and humanities - NACE-code 7220;
- Advertising agency activities - NACE-code 7311
- Media representation - NACE-code 7312
- Market research and public opinion polling - NACE-code 7320
- Specialized design activities - NACE-code 7410

- Photographic activities- NACE-code 7420;
- Written and oral translation (interpreters) - NACE-code 7430
- Other professional, scientific and technical activities - NACE-code 7490;
- Other human resources provision - NACE-code 7830
- Temporary employment agency activities - NACE-code 7820
- Activities of employment agencies - NACE-code 7810
- Combined office administrative service activities - NACE-code 8211
- Photocopying, document preparation and other specialized secretarial activities - NACE-code 8219
- Activities of call centers - NACE-code 8220
- Activities for organizing exhibitions, fairs and congresses- NACE-code 8230;
- Activities of collection agencies and credit bureaus - NACE-code 8291
- Other business support service activities - NACE-code 8299
- Other education - NACE-code 8559
- Repair of computers and peripheral equipment - NACE-code 9511
- Repair of communication equipment - NACE-code 9512

The company will be able to carry out its object of activity both in Romania and abroad, as well as in free trade areas in the country and abroad, in RON or in foreign currency, under any conditions, in compliance with the provisions of legislation in force. The company may carry out any activity mentioned above; it shall not be expressly obliged to do so.

At the same time, the Company shall carry out any other activities, which are directly or indirectly related to the achievement of the object of activity set out above.

The object of activity can be amended, respectively extended to other fields of activity, or it can be restricted, observing the publicity and registration formalities of the competent authorities.

CHAPTER 3

SHARE CAPITAL OF THE COMPANY

Art. 7. Share Capital and Shares

7.1. The total share capital subscribed and paid by the shareholders is **100,000 RON**, in cash, being divided into 100,000 registered shares, each having the value of **1 RON, numbered from 1 to 100,000.**

7.2. The shareholders' participation in the share capital is as follows:

- **IACOB Ioan-Mihnea holds 50,000 shares**, numbered from 1 to 50,000, paid in full in RON, with a **nominal value of 1 RON** and a **total value of 50,000 RON**, representing **50% of the share capital** and the share of profit and loss, for a cash contribution of 50,000 RON;
- **CONSTANTINESCU Radu holds 50,000 shares**, numbered from 50.001 to 100,000, paid in full in RON, with a **nominal value of 1 RON** and a **total value of 50,000 RON**, representing **50% of the share capital** and the share of profit and loss, for a cash contribution of 50,000 RON;

7.3. The shareholders will participate in the Company's profits and losses pro rata to their contributions to the Company's share capital.

7.4. The shares issued by the Company are registered, indivisible, each of them having the same value; the shares are negotiable titles and are issued to a securities account of the authorized intermediary.

Art. 8. Transfer of Shares

8.1. The ownership right over the shares is transferred by a statement registered in the Shareholder Register of the Company, signed by both Assignor and Assignee or their respective proxies.

8.2. The Company may not acquire its own shares directly or through persons acting on their behalf but on behalf of the Company, unless the General Shareholders' Assembly decides otherwise and shareholders representing at least 75% of the Company's share capital vote for such an amendment, in any case the terms and conditions established by applicable legal provisions shall be observed.

8.3. Transfer to Third Parties

Any of the shareholders may transfer part or all of the shares held in the share capital of the Company to third parties, provided that: (i) approval by the shareholders holding at least 75% of the share capital of the Company is expressed; and (ii) the Right of First Waiver as described below is observed (art. 8.4.).

8.4. The Right of First Waiver

8.4.1. If a shareholder wishes to sell or transfer in any other way (for the purpose of such a transaction, this being called "**Seller**") all or part of his shares held in the share capital of the Company, to a third party ("**Third Party Buyer**"), this transfer ("**Sale**") will have to be made in compliance with the following procedures ("**Right of First Waiver**"):

a) The seller will send a written notification ("**Offer**") to the other shareholder(s). The Offer will mention in detail, in a reasonable manner, the Third Party Buyer, the shares proposed for sale ("**Shares for Sale**") and the terms and conditions offered (including the price offered).

b) Each of the other shareholders will have the right to buy all the pro rata established part (but not less than the entire pro rata part) applicable to his participation in share capital of the Company from the Sale Shares, at the price and in the terms specified in the Offer, by sending a written notification on this decision ("**Acceptance Notification**") to the Seller, within 15 working days upon receipt of the Offer.

If not all the shareholders choose to buy their respective pro rata part from the Shares Sold, according to their participation in the capital, sending an Acceptance Notice to the Seller to this purpose, the Seller will offer again that part of the Shares Sold for which the Right of First Waiver has not been exercised ("**Remaining Shares**"), transmitting a new Offer for the Rest of

the Shares (“**Second Offer**”) to those shareholders who have exercised their Right of First Waiver in respect to their pro rata share of the Shares Sold (“**RFW Shareholders**”). For the Rest of the Shares, the procedure established by this art. 8.4.1 Will continue to be applied, but only for RFW Shareholders, in which case RFW Shareholders may acquire 100% (but not less) of the remaining Shares, under the conditions of this article 8.4.

If the remaining Shares will not be fully purchased by the RFW Shareholders as a result of exercising the Right of First Waiver, according to above mentioned stipulations, and none of the RFW Shareholders choose to buy these shares, the procedure described in this clause will be considered to be properly fulfilled, and the Seller will be entitled to sell the Shares Sold to the Third Party Buyer, according to paragraph d) below.

c) If: (i) all the other shareholders express their intention to buy their pro rata share of Shares Sold corresponding with their participation in share capital of the Company, sending a Notice of Acceptance according to item b) above; or (ii) at least one of the other shareholders has chosen to purchase the Shares Sold, as a result of the second Notice of Acceptance, the transfer of the Shares Sold will take place as soon as possible, after the last Acceptance Notice, respectively the final Acceptance Notice has been sent on time, but in any case within 30 working days from the date of such communication.

d) If none of the other shareholders chooses to buy the Shares for Sale according to the Offer, the Seller may, within 30 working days from the date of transmission of the Second Offer (if applicable), sell the Shares for Sale to the Third Party Buyer: (i) at a price that is not more favorable for the Third Party Buyer than the one mentioned in the Offer; and (ii) under terms and conditions that are not more favorable to the Third Party Buyer than those specified in the Offer. The share purchase agreement, drafted and signed, by which the Third Party Buyer bought the Shares Sold will be presented to the other shareholders in original or in certified copy within 3 working days from the actual purchase of Shares Sold by the Third Party Buyer.

Art. 9 Rights and Obligations Arising from the Quality of Shareholder

Each share subscribed and paid by the shareholders gives them the right to an equal vote in the General Shareholders’ Assembly, the right to elect and be elected in management bodies, the right to participate in the distribution of profit, as well as in the distribution of assets in case of dissolution of the company, according to the present Articles of Incorporation and the legal provisions.

Each of the shareholders participates in profits and losses in proportion to the shares held in the share capital.

CHAPTER 4

MANAGEMENT, ADMINISTRATION AND CONTROL OF THE COMPANY

Art. 10 General Assembly of Shareholders

Art. 10.1. General Provisions

10.1.1 The General Shareholders’ Assembly is the main governing body of the Company, being able to adopt decisions regarding the Company’s activity and to establish the Company’s policy (including but not limited to economic, commercial and / or development of the Company).

10.1.2. The General Shareholders’ Assembly may be ordinary or extraordinary. Resolutions of the General Shareholders’ Assembly will be adopted in accordance with the provisions of the applicable legislation and of the Articles of Incorporation. The validly adopted resolutions of the General Shareholders’ Assembly are binding for all shareholders of the

Company. The General Shareholders' Assembly takes place at the Company's headquarters or in another place, as stipulated in the convocation notice.

10.2. Ordinary General Shareholders' Assembly. Authority. Quorum and majority conditions

10.2.1. The Ordinary General Shareholders' Assembly is convened at least once a year, within 5 months from the end of the previous financial year, as well as whenever necessary for the adoption of decisions reserved to its competence by applicable legislation.

10.2.2. In addition to debating any other issues on the agenda of the meeting, the Ordinary General Shareholders' Assembly is required:

- a) to discuss, approve or modify the annual financial statements of the Company, based on the reports presented by the Board of Directors and the financial auditor, to decide on the proposals regarding the distribution of dividends;
- b) to elect and revoke the members of the Board of Directors of the Company;
- c) to elect and revoke the General Manager, the Deputy General Manager as well as any other directors of the Company to whom the management of the Company is assigned according to the provisions of Law 31/1990;
- d) to appoint or dismiss the financial auditor and to establish the minimum duration of the financial audit contract;
- e) to establish the remuneration to be paid to the members of the board of directors, to the General Manager and to the Deputy General Manager for the current financial year;
- f) to rule on the management of the board of directors, of the General Manager and of the Deputy General Manager;
- g) to establish the income and expenditure budget of the Company and, as the case may be, the activity program for the next financial year;
- h) To decide the establishment of guarantees, the lease or the liquidation of one or more units of the Company.

10.2.3. In order for the Ordinary General Shareholders' Assembly to be validly constituted and to adopt valid decisions, the following conditions must be met:

- a) At the first convocation, the General Shareholders' Assembly will be validly constituted in the presence of shareholders holding, together or individually, at least 75% of the entire share capital of the Company, and decisions must be adopted by a majority of at least 75% of the share capital of the Company.
- b) At the second convocation, regardless of the number of shareholders participating in the meeting (either in person or through a representative), all decisions will be adopted by a simple majority of votes cast.

10.3. Extraordinary General Shareholders' Assembly. Authority. Quorum and majority conditions

10.3.1. The Extraordinary General Shareholders' Assembly meets whenever it is necessary to adopt decisions regarding any of the following issues:

- a) changing the legal form of the Company;
- b) relocating the registered office of the Company;
- c) amending the object of activity of the Company;

- d) establishing or liquidating subsidiaries of the Company or secondary offices (branches, offices, agencies, representatives or any other such units without legal personality);
- e) prolonging the duration of the Company;
- f) increasing the share capital of the Company;
- g) reduction of the Company's share capital;
- h) the merger of the Company with other companies or the division of the Company;
- i) early dissolution of the Company;
- j) the conversion of registered shares into bearer shares or, as the case may be, of bearer shares into registered shares;
- k) conversion of shares from one category to another;
- l) conversion of one category of bonds into another category or into shares;
- m) the issue of bonds;
- n) any expense or investment of the Company in a total amount of at least 150,000 Euro / year and at least 50,000 Euro per transaction, if this expense or investment does not fall within the budget of the Company that has been approved for that year;
- o) the acquisition by the Company of its own shares, under the terms and conditions provided by law;
- p) any other amendment of the Articles of Incorporation or any other decision for which the approval of the Extraordinary General Shareholders' Assembly is required according to the applicable laws and / or the Articles of Incorporation.

Based on the validly adopted decision of the General Shareholders' Assembly, the exercise of attributions stipulated under b) and c) (only regarding the secondary object of activity of the Company) may be delegated to the Board of Directors of the Company.

10.3.2. In order for the Extraordinary General Shareholders' Assembly to be validly constituted and to adopt valid decisions, both at the first and the second convocation, shareholders representing at least 75% of the total voting rights in the share capital of the Company must participate (either personally or through a representative). Decisions can be adopted at both the first and second convocation with a majority of at least 75% of the share capital of the Company.

10.4. Convening the General Shareholders' Assembly

10.4.1. The General Shareholders' Assembly will be convened by the Board of Directors or by the General Manager and / or the Deputy General Manager, whenever necessary. The convocation of the General Shareholders' Assembly shall be done:

- a) by registered letter with acknowledgment of receipt, sent at least 30 days before the date of the assembly, to all shareholders at their addresses which are registered in the Register of Shareholders;
- b) By letter sent electronically, having incorporated, attached or logically associated the extended electronic signature, sent at least 30 days before the date of the meeting, to the address of the shareholder, registered in the register of shareholders.

The Company is not and cannot be obliged to consider any change of the address of any of the shareholders, except for the situation in which this change has been notified to the Company in advance in writing, by the respective shareholder.

10.4.2. The convocation notice will indicate the place and date of the meeting, as well as the agenda, with the explicit mention of all the issues that will be the subject of the debates of the

assembly. If the agenda of the General Meeting of Shareholders includes the appointment of any administrators or directors of the Company, the convening notice shall indicate that the list containing information on the name, place of residence and professional qualification of the persons proposed for the position of administrator and / or director of the Company, as the case may be, will be at the disposal of the shareholders, in order to be consulted and completed by them. When the agenda of the meeting includes proposals for the amendment of the Articles of Incorporation, the convocation shall include the full text of proposed amendments.

10.4.3. The shareholders representing the entire share capital will be able, in case none of them opposes, to meet in the General Shareholders' Assembly and to adopt any decision within the competence of the General Shareholders' Assembly, without fulfilling the formalities required to convene the meeting. As long as the Company is not listed and its shares will be registered, the General Assembly may be held by correspondence and / or, as the case may be, by telephone conference, videoconference, or other means of communication, provided that the latter meet the necessary technical means for identifying the participants, their effective participation in the meeting and the continuous transmission of the debates. If the meeting takes place in any of the ways indicated above, the resolutions and any other corporate documents adopted by the Assembly in compliance with the quorum and majority conditions provided by the Articles of Incorporation and the applicable legislation, will be considered validly adopted, even if not all shareholders have signed the same copy of the corporate resolution / document in question. In this case, all copies of that decision / corporate document will be considered, together, a single original document.

Within legally provided limits, the resolutions of the General Assembly may also be electronically signed by the shareholders (or by any of them), by means of an extended electronic signature.

10.5. General Shareholders' Assembly. Debates.

10.5.1. Shareholders who have not made the payments for the subscribed shares within the terms provided by the Articles of Incorporation or by the decision of the competent statutory body of the Company, may participate in the General Shareholders' Assembly, but may not vote.

10.5.2. On the day and time when the General Shareholders' Assembly meets according to the convening notice, the meeting of the General Shareholders' Assembly will be opened by the Chairman of the Board.

10.5.3. The General Shareholders' Assembly will appoint from the shareholders participating in the meeting 1 to 3 secretaries, who will check the list of shareholders, indicating the part of the share capital represented by each of the shareholders participating in the meeting and fulfilling all conditions provided by law and / or by the Articles of Incorporation for holding the General Shareholders' Assembly.

10.5.4. After ascertaining the fulfillment of the legal requirements and the provisions of the Articles of Association for holding the General Shareholders' Assembly, the debates on the agenda may begin.

10.5.5. Voting rights within the General Shareholders' Assembly may not be assigned.

10.5.6. Any agreement by which the shareholder undertakes to exercise his voting rights according to the instructions given or the proposals formulated by the Company or by the persons representing the Company is void.

10.5.7. Shareholders who are also administrators and / or directors of the Company do not have the right to vote (either in person or through a representative) on the basis of shares held within the Company, on any of the following issues:

a) discharge; and/or

b) An issue in which the person or their management / activity would be under discussion.

However, the respective shareholders may vote on the annual financial statement, if the majority provided by law or by the Articles of Incorporation cannot be formed.

10.5.8. If the shares are encumbered by a right of usufruct, in compliance with the conditions provided in the Articles of Incorporation, the voting right related to the respective shares belongs to:

- a) the beneficiary of the usufruct right - in the Ordinary General Shareholders' Assembly and to the owner
- b) - In the Extraordinary General Shareholders' Assembly.

10.5.9. If real guarantees are established on the shares, under the conditions provided by the Articles of Incorporation, the voting right will belong to the owner of the respective shares.

10.5.10. The resolutions of the General Shareholders' Assembly are taken by open vote. In any case, secret vote is mandatory for the appointment or revocation of the Company's directors, for the appointment, revocation or dismissal of auditors or financial auditors and for the adoption of decisions on the liability of members of the Company's administration, management and control bodies.

10.5.11. The decisions adopted by the General Shareholders' Assembly within the limits of the applicable legislation and of the Articles of Incorporation are binding on all shareholders, regardless of whether or not they were present at their adoption, or whether they voted against them.

Art. 11 Management of the Company

11.1. General Provisions

11.1.1. The Company is managed by a Board of Directors consisting of 3 (three) members, one of whom is appointed by Radu Constantinescu, one by Mr. Iacob Ioan-Mihnea and the third, by mutual agreement of Mr. Radu Constantinescu and Mr. Iacob Ioan-Mihnea.

11.1.2. The members of the Board of Directors are appointed or revoked by resolution of the General Shareholders' Assembly.

11.1.3. The members of the Board of Directors may be entitled to remuneration in their capacity as directors of the Company, only based on the resolution of the General Shareholders' Assembly.

11.1.4. The term of office of the members of the Board of Directors shall be 4 years, except for the term of office of the first members of the Board of Directors, which shall be 2 years, and shall be renewable.

11.1.5. Each of the shareholders has the right to nominate candidates for the position of administrator of the Company. The appointment of the Company's directors is based on the resolution of the General Shareholders' Assembly.

11.1.6. The board of management consists of:

- **Radu CONSTANTINESCU**, Romanian citizen, [REDACTED]

[REDACTED] Chairman of the Board;

- **Serban–Mircea Chiricescu**, Romanian citizen, [REDACTED]

[REDACTED]; and

- **Maria Popescu**, Romanian citizen, [REDACTED]

11.2. Duties of the Management Board

11.2.1. The Company's administrators are liable to the Company for:

- a) the reality of the payments made by shareholders;
- b) the actual existence of dividends paid;
- c) the existence of the ledgers required by law and their correctness;
- d) the exact fulfillment of the resolutions of the General Shareholders' Assemblies;
- e) strict fulfillment of the duties stipulated by law and / or by the Articles of Incorporation.

11.2.2. The Board of Directors of the Company has the following main attributions:

- a) to establish the main directions of activity and development of the Company;
- b) to establish the accounting policies and the financial control system of the Company and to approve the financial planning of the Company;
- c) to supervise the activity of the directors;
- d) to prepare and present to the General Shareholders' Assembly the annual report on the activity of the Company;
- e) to submit, if necessary according to the applicable legislation, requests for initiating insolvency procedures against the Company, under the conditions provided by Law no. 85/2014 on insolvency prevention and insolvency procedures, with its subsequent amendments;
- f) to organize the General Shareholders' Assembly and to ensure the implementation of the resolutions of the General Shareholders' Assembly;
- g) to prepare and update the Company's ledgers, provided by the applicable legislation;
- h) to approve any expense or investment in a total amount of less than 150,000 Euro / year, respectively less than 50,000 Euro per transaction; this restriction does not apply if the respective expense or investment falls within the Company's budget approved for the respective year;
- i) to adopt any resolutions regarding:
 - any of the matters delegated to the competence of the Board of Directors by the General Shareholders' Assembly and / or
 - any other matters that are not expressly reserved to the competence of the General Shareholders' Assembly, according to applicable legislation;

The Board of Directors may not delegate to the Company's directors any of the attributions mentioned under items a-e) and i (first paragraph), above, in the latter case if the attributions delegated by the General Shareholders' Assembly to the board of directors were performed in accordance with art. 114 of Law 31/1990.

The implementation of the decisions provided under items a) and b) above can be done based on the resolution of the General Shareholders' Assembly.

11.3. Restrictions

11.3.1. If the Board of Directors finds that, as a result of losses, established by the annual financial statements approved according to legal requirements, the net assets of the Company, determined as the difference between total assets and total liabilities, decreased to less than half of the subscribed share capital, the board shall immediately convene the Extraordinary General Shareholders' Assembly to decide whether the Company should be dissolved.

11.3.2. During the execution of the mandates, the administrators of the Company cannot conclude employment contracts with the Company.

11.3.3. The Board of Directors may not revoke the delegation of responsibilities to the General Manager and the Deputy General Manager, this revocation may be made only with the approval of the General Shareholders' Assembly and only if the Company is not subject to audit obligation.

11.3.4 The Board of Directors may not adopt decisions regarding any of the competencies that are part of the competencies or are delegated to the General Manager and the Deputy General Manager.

11.4. Principles of Operation

11.4.1. The meetings of the Board of Directors will take place at least once every 3 months based on the convocation notice sent by the Chairman of the Board of Directors or at the request of at least 2 of its members, the General Manager or the Deputy General Manager. A written notification regarding the convening of the meeting of the Board of Directors will be sent to each administrator at least 5 days before the meeting. In any case: (i) if there is a risk that the interests of the Company will be significantly adversely affected in the event that the issues under discussion at the meeting of the Board of Directors are not urgently discussed, or (ii) if all administrators agree, Board Meetings may be convened only 48 hours in advance; (For the purposes of these Articles of Incorporation, "Working Day" means a day on which banks are open for business in Romania).

11.4.2. The quorum required for the adoption of a decision within any meeting of the Board of Directors shall be 2/3 of the members of the Board of Directors.

11.4.3. The shareholders will make every effort to ensure that the directors appointed from the candidates selected by them will attend each meeting of the Board of Directors and ensure that a quorum (in accordance with the provisions of this Articles of Incorporation) is met during each such meeting.

11.4.4. The convening notice shall not provide for a second meeting of the Board of Directors in case the quorum of the first meeting has not been met.

11.4.5. Any administrator may attend a meeting of the Board of Directors by means of a telephone or video conference or other similar communication equipment, provided that all persons attending the meeting hear each other and the persons participating in this manner shall be considered as personally present at that meeting.

12. Managers of the Company

12.1. The current management of the Company is delegated by the Board of Directors of the Company to the General Manager of the Company and to the Deputy General Manager of the Company ("Directors of the Company"), in accordance with the provisions of Law no. 31/1990.

The General Manager of the Company is Mr. CONSTANTINESCU Radu, Romanian citizen, born on [REDACTED]

The Deputy General Manager of the Company is Mr. IACOB Ioan-Mihnea, Romanian citizen, born on [REDACTED]

12.2. The General Manager and the Deputy General Manager have the right to represent the Company in relations with third parties; they may act both jointly and separately.

12.3. The attributions of the General Manager and of the Deputy General Manager are detailed in the management contracts to be signed between them and the Company. At the same time, they may perform, jointly or separately, any other acts and / or operations that are not expressly and imperatively established by law or by these Articles of Incorporation, which are within the exclusive competence of the General Shareholders' Assembly or of the Board of Directors.

12.4. Any General Manager or Deputy General Manager may at the same time be a member of the Board of Directors of the Company, including the Chairman of the Board of Directors of the Company.

12.5. Both the General Manager and the Deputy General Manager can be revoked only on the basis of the resolution of the General Shareholders' Assembly, adopted with the vote of shareholders representing at least 75% of the share capital of the Company.

12.6. The organization of the activity of Directors may be established by the Articles of Incorporation or by resolution of the General Shareholders' Assembly.

Art. 13. Control of the Company's Activity

13.1. The Company's activity will be controlled by a financial auditor.

13.1.1 The financial auditor of the Company is GSR AUDIT & TAX S.R.L., a company legally established and operating in accordance with the laws of Romania, which carries out financial audit activities based on the operating authorization no. 620 / 22.02.2006, issued by the Chamber of Financial Auditors of Romania, on January 27th, 2017, entity registered at the Trade Register Office under no. J40/19757/2005, fiscal code 18160225 and having its registered offices in the municipality of Bucharest, 1st district, Str. Aviator Petre Cretu no. 58, ground floor, room 2, represented by Mrs. Oprea Cornelia-Mariana, Romanian citizen, [REDACTED]

[REDACTED], as financial auditor, according to the financial auditor badge no. 4232, issued by the Romanian Financial Auditors' Body on February 29th, 2012. The financial auditor was appointed for a term of 3 (three) years as of November 26th, 2019.

CHAPTER 5 **ACTIVITY OF THE COMPANY**

Art. 14 Financial year

The economic and financial year begins on January 1st and ends on December 31st of each year. The first financial year will begin on the date the company is established and ends on December 31st of the same year.

Annually, the Company will allocate at least 5% of the profit for the formation of reserves, until it reaches at least 20% of the share capital. The General Shareholders' Assembly may decide to set up other reserves.

Art. 15 Company Staff

Any of the General Manager and the Deputy General Manager may decide on the employment of Company staff, based on the employment contracts provided by legislation in force.

Payment of salaries, payroll tax, social security contributions and other obligations to the state or local budgets shall be made according to law.

The company will be able to pay, within the existing availabilities in the bank account of the company, premiums and bonuses.

Art. 16 Accounts and Financing of the Company

Any of the General Manager and the Deputy General Manager may decide on the opening of Company accounts in RON or foreign currency, in compliance with legal provisions in force.

The Company shall be financed from the subscribed share capital, from the Company's revenues in RON or foreign currency, from loans granted by domestic or foreign financial and credit institutions or by other persons under the law, as well as from other sources permitted by law.

Credits shall be contracted only with the observance of provisions of these Articles of Incorporation.

Art. 17 Evidence of Economic and Financial Activity

The ledgers to be used for the purposes of the Company's accounting will be those established by law.

Art. 18 Financial Statements

The financial statements shall be prepared annually under the conditions established by law and shall be verified accordingly by the competent bodies.

The financial statements, after being approved by the General Shareholders' Assembly will be submitted by the Board of Directors to the competent Revenue Office within the term provided by law; a copy will be also submitted to the Trade Register.

Art. 19 Calculation and Distribution of the Company's Profit

The Company's profits are established by the balance sheet as the difference between revenues received and expenses incurred to achieve these revenues.

The General Shareholders' Assembly may establish percentage shares of profit for the establishment of investment and development funds.

The provisions of this article will be adapted according to changes in legislation.

Art. 20 Control of the Company

The financial statements will be verified by the competent bodies according to Romanian law.

The shareholders have, at any time, the right to verify the documents and books of the company, as well as any other document of the company. To this end, the directors and staff members of the company are obliged to submit any documents upon request.

**CHAPTER 6
AMENDMENT OF THE ARTICLES OF INCORPORATION
MERGER, DISSOLUTION AND LIQUIDATION OF THE COMPANY**

Art. 21 Changes of Legal Form and Amendment of the Articles of Incorporation

The company will be able to change its legal form by resolution of the General Shareholders' Assembly adopted with a majority of votes according to the provisions of the present Articles of Incorporation, subsequently fulfilling all legal formalities regarding registration and publicity.

Art. 22 Merger of the Company

The merger of the Company is decided by the General Shareholders' Assembly. In case of merger, all the formalities required by law must be fulfilled.

Art. 23 Dissolution of the Company

The following situations may lead to the dissolution of the Company:

- a) the impossibility to achieve the object of activity of the Company;
- b) the net assets of the Company decreased to less than half of the share capital;
- c) reduction of the share capital below the legal minimum, under the conditions provided by applicable legislation;
- d) reduction of the number of shareholders to less than two, if more than 9 (nine) months have passed since such a reduction, without the number of shareholders being completed up to the limit imposed by law;
- e) declaring the invalidity of the Company;
- f) the resolution of the General Shareholders' Assembly approving the dissolution;
- g) the ruling of a court of law, at the request of any shareholder, for cause, such as serious misunderstandings between shareholders, which impede the operation of the Company;
- h) the bankruptcy of the Company;
- i) Any other situation, based on the resolution of the General Shareholders' Assembly.

The dissolution of the Company will be registered with the Trade Register, published in the Official Gazette within the term provided by law from the date of resolution of the General Shareholders' Assembly or from the date of finality of the court decision by which the dissolution was confirmed.

As of the date of dissolution, the Board of Directors may no longer undertake commercial operations on behalf of the Company, otherwise it will be held liable for the operations undertaken.

The dissolution of the Company produces effects towards third parties only after the legal term from its publication in the Official Gazette has passed.

In case of dissolution of the Company, the movable and / or immovable assets contributed by shareholders in kind to the share capital of the Company return to the ownership of the contributing shareholders or their heirs or successors of the rights conferred by the quality of shareholders.

Art. 24 Liquidation of the Company

Unless the General Shareholders' Assembly or the judicial authority rules otherwise, the directors will continue their mandate until the appointment of the liquidators. The liquidators will be appointed by the General Shareholders' Assembly.

The act of appointing the liquidators or the court ruling issued in lieu of such an appointment, as well as any subsequent action that would result in changes in their person, must be submitted by the liquidators to the Trade Register, to be registered and published in the Official Gazette.

Only after completing these formalities, the liquidators will submit their signature in the Trade Register and will take office.

Following publication in the Official Gazette, no action may be brought for or against the company except on behalf of or against the liquidators.

All documents emanating from the Company during the liquidation period must show that the Company is in liquidation.

Liquidators assume the same liability as administrators. They are obliged, after taking office, to draw up an inventory and to conclude a balance sheet that will ascertain the exact situation of the company's assets and liabilities and to sign these documents together with the directors of the company.

The liquidators are obliged to keep the company's assets, books entrusted to them by the administrators, as well as the Company's documents. They will also keep a book of all liquidation operations, in chronological order.

After the liquidation of the Company is completed, the liquidators must draw up the liquidation balance sheet and recommend the distribution of the assets among shareholders.

CHAPTER 7

SETTLEMENT OF DISPUTES

Art. 25 All disputes related to the operation of the company will be settled amicably, to the extent possible.

Disputes, which were not settled amicably, will be submitted to the competent courts of law in Romania.

These Articles of Incorporation were concluded and signed in 4 (four) original copies, today on November 26th, 2019, on the basis of the General Shareholders' Assembly Resolution dated November 26th 2019.

APPENDIX 1. Articles of Incorporation of QUALITANCE QBS valid on December 31st 2019

QUALITANCE QBS S.A.
FINANCIAL STATEMENTS

Prepared in accordance with the Order of the Minister of Public Finance no. 1802/2014 with subsequent amendments, on the date and for the financial year concluded at December 31, 2019

CONTENT:

Financial statements

Balance sheet

Profit and loss account

Statement of changes in equity

Statement of cash flows

Explanatory notes to the financial statements

BALANCE SHEET as of
December 31, 2019

Item name	Row no.	Balance on:	
		Start of the financial year 2018	End of the financial year 2019
A	B	1	2
A. FIXED ASSETS			
I. INTANGIBLE ASSETS			
1. Formation expenses (acc. 201 - 2801)	1		
2. Development expenses (acc. 203 - 2803 - 2903)	2		
3. Concessions, patents, licenses, trademarks, rights and similar assets and other fixed assets (acc. 205 + 208 - 2805 - 2808 - 2905 - 2908)	3	72,199	38,513
4. Goodwill (acc. 2071 - 2807)	4		
5. Intangible assets for exploration and valuation of mineral resources (acc. 206-2806-2906)	5		
6. Advances (acc. 4094)	6		
TOTAL (row 01 to 05)	7	72,199	38,513
II. TANGIBLE ASSETS			
1. Lands and buildings (acc. 211 + 212-2811 - 2812 - 2911 - 2912)	8	110,864	73,909
2. Technical equipment and machines (acc. 213 +223 - 2813 - 2913)	9	653,607	302,210
3. Other equipment, machinery and furniture (acc. 214 + 224 - 2814 - 2914)	10	134,993	123,535
4. Real estate investments (acc. 215 - 2815 - 2915)	11		
5. Property, plant and equipment in progress (acc. 231-2931)	12		
6. Real estate investments in progress (acc. 235-2935)	13		
7. Tangible assets for exploration and valuation of mineral resources (acc.216-2816-2916)	14		
8. Productive biological assets (acc.217+227-2817-2917)	15		
9. Advances (acc. 4093)	16		
TOTAL (row 08 to 16)	17	899,464	499,654
III. FINANCIAL ASSETS			
1. Shares owned at affiliated entities (acc. 261 - 2961)	18		158,525
2. Loans given to group entities (acc. 2671 + 2672 - 2964)	19		
3. Shares held at associates and jointly controlled entities (acc. 262+263 - 2962)	20		
4. Loans granted to associates and jointly controlled entities (acc. 2673 + 2674 - 2965)	21		
5. Other fixed assets (acc. 265 + 266 - 2963)	22		
6. Other loans (acc. 2675* + 2676* + 2677 + 2678* + 2679* - 2966* - 2968*)	23	1,296,379	1,891,258
TOTAL (row 19 to 23)	24	1,296,379	2,049,784
FIXED ASSETS - TOTAL (row 07 + 17 + 24)	25	2,268,042	2,587,950
B. CURRENT ASSETS			
I. STOCKS			
1. Raw materials and supplies (acc. 301 + 302 + 303 +/- 308 +321 + 322 + 323 + 328 + 351 + 358 + 381 +/- 388 - 391 - 392 - 3951 - 3958 - 398)	26		
2. Work in progress (acc. 331 + 332 + 341 +/- 348* - 393 - 3941 - 3952)	27		1,893,116
3. Finished products and goods (acc. 345 + 346 + 347 +/- 348* + 354 + 356 + 357 + 361 + 326 +/--368 + 371 +327 +/- 378 - 3945 - 3946 - 3947 - 3953 - 3954 - 3955 - 3956 - 3957 - 396 - 397 - from acc. 4428)	28		

4. Advances (acc. 4091)	29	44	250
TOTAL (row 26 to 29)	30	44	1,893,366
II. RECEIVABLES (the amounts to be collected after a period of more than one year must be presented separately for each item.)			
1. Commercial receivables 1) (acc. 2675* + 2676* + 2678* + 2679* - 2966* - 2968* + 4092 + 411 + 413 + 418 - 491)	31	11,382,396	12,042,986
2. Amounts to be collected from affiliated entities (acc. 451** - 495*)	32		
3. Amounts to be collected from associates and jointly controlled entities (acc. 453** - 495*)	33		
4. Other receivables (acc. 425 + 4282 + 431** + 437** + 4382 + 441** + 4424 + from acc. 4428** + 444** + 445 + 446** + 447** + 4482 + 4582 + 4662 + 461 + 473** - 496 + 5187)	34	348,239	205,948
5. Subscribed and not paid in capital (acc. 456 - 495*)	35		
TOTAL (row 31 to 35)	36	11,730,635	12,248,934
III. SHORT-TERM INVESTMENTS			
1. Shares held at affiliated entities (acc. 501 - 591)	37		
2. Other short-term investments (acc. 505 + 506 + 507 + from acc. 508 - 595 - 596 - 598 + 5113 + 5114)	38		
TOTAL (row 37 + 38)	39	0	0
IV. PETTY CASH AND BANK ACCOUNTS (from acc. 508 + acc. 5112 + 512 + 531 + 532 + 541 + 542)	40	2,346,442	7,086,619
CURRENT ASSETS - TOTAL (row 30 + 36 + 39 + 40)	41	14,077,121	21,228,919
C. EXPENSES IN ADVANCE (acc. 471) (row 43+44)	42	124,112	544,646
Carried-forward amounts in a period up to one year (from acc. 471*)	43	124,112	544,646
Carried-forward amounts in a period more than a year (from acc. 471*)	44		
D. DEBTS: AMOUNTS TO BE PAID WITHIN ONE YEAR			
1. Loans from the issuance of bonds, the loans from the convertible bonds issuance are presented separately (acc. 161 + 1681 - 169)	45		14,935
2. Amounts owed to credit institutions (acc. 1621 + 1622 + 1624 + 1625 + 1627 + 1682 + 5191 + 5192 + 5198)	46	302,423	408,971
3. Advances collected on account of orders (acc. 419)	47		273,873
4. Trade debts - suppliers (acc. 401 + 404 + 408)	48	4,085,552	3,900,075
5. Commercial bills payable (acc. 403 + 405)	49		
6. Amounts owed to group entities (acc. 1661 + 1685 + 2691 + 451***)	50		
7. Amounts owed to associates and jointly controlled entities (acc. 1663 + 1686 + 2692 + 2693 + 453***)	51		
8. Other debts, including tax liabilities and social security debts (acc. 1623 + 1626 + 167 + 1687 + 2695 + 421 + 423 + 424 + 426 + 427 + 4281 + 431*** + 437*** + 4381 + 441*** + 4423 + 4428*** + 444*** + 446*** + 447*** + 4481 + 455 + 456*** + 457 + 4581 + 462 + 4661 + 473*** + 509 + 5186 + 5193 + 5194 + 5195 + 5196 + 5197)	52	6,765,448	6,448,467
TOTAL (row 45 to 52)	53	11,153,423	11,046,321
E. NET CURRENT ASSETS / NET CURRENT DEBTS (row 41+43-53-70-73-76)	54	3,036,199	10,727,244
F. TOTAL ASSETS MINUS CURRENT DEBTS (row 25+44+54)	55	5,304,241	13,315,194
G. DEBTS: AMOUNTS TO BE PAID WITHIN MORE THAN ONE YEAR			
1. Loans from the issuance of bonds, the loans from the convertible bonds issuance are presented separately (acc. 161 + 1681 - 169)	56		7,168,950
2. Amounts owed to credit institutions (acc. 1621 + 1622 + 1624 + 1625 + 1627 + 1682 + 5191 + 5192 + 5198)	57		
3. Advances collected on account of orders (acc. 419)	58		
4. Business debts - suppliers (acc. 401 + 404 + 408)	59		
5. Bills payable (acc. 403 + 405)	60		

6. Amounts owed to group entities (acc. 1661 + 1685 + 2691 + 451***)	61		
7. Amounts owed to associates and jointly controlled entities (acc. 1663 + 1686 + 2692 +2693+ 453***)	62		
8. Other debts, including tax liabilities and social security debts (acc. 1623 + 1626 + 167 + 1687 + 2695 + 421 + 423 + 424 + 426 + 427 + 4281 + 431*** + 456*** + 4581+462+4661+ 473*** + 509 + 5186 + 5193 + 5194 + 5195 + 5196 + 5197	63	138,495	0
TOTAL (row 56 to 63)	64	138,495	7,168,950
H. PROVISIONS			
1. Provisions for employee benefits (acc. 1515+1517)	65		
2. Tax provisions (acc. 1516)	66		
3. Other provisions (acc. 1511 + 1512 + 1513 + 1514 + 1518)	67	515,697	798,926
TOTAL (row 65 to 67)	68	515,697	798,926
I. DEFERRED INCOME			
1. Grants for investments (acc. 475)(row 70+71)	69	11,611	0
Carried-forward amounts in a period up to one year (acc. 475*)	70	11,611	
Carried-forward amounts in a period more than a year (acc. 475*)	71		
2. Deferred income (acc. 472) (row 73 + 74)	72	0	0
Carried-forward amounts in a period up to one year (acc. 472*)	73		
Carried-forward amounts in a period more than a year (acc. 472*)	74		
3. Deferred income from assets received by transfer from clients (acc.478)(row 76+77)	75	0	0
Carried-forward amounts in a period up to one year (acc. 478*)	76		
Carried-forward amounts in a period more than a year (acc. 478*)	77		
Negative goodwill (acc.2075)	78		
TOTAL (row 69 + 72 + 75 + 78)	79	11,611	0
J. CAPITAL AND RESERVES			
I. CAPITAL			
1. Paid subscribed capital (acc. 1012)	80	100,000	100,000
2. Unpaid subscribed capital (acc. 1011)	81		
3. State-owned equity plus assets (acc. 1015)	82		
4. Equity plus assets of national research and development institutions (acc. 1018)	83		
5. Other elements of equity (1031)	84		
TOTAL (row 80 to 84)	85	100,000	100,000
II. SHARE PREMIUMS (acc. 104)			
III. REVALUATION RESERVES (acc. 105)			
IV. RESERVES			
1. Legal reserves (acc. 1061)	88	20,000	20,000
2. Statutory or contractual reserves (acc. 1063)	89		
3. Other reserves (acc. 1068)	90	964,199	1,226,185
TOTAL (row 88 to 90)	91	984,199	1,246,185
Own shares (acc. 109)	92		
Earnings related to equity instruments (acc. 141)	93		
Losses related to equity instruments (acc. 149)	94		
V. REPORTED PROFIT OR LOSS			
(acc. 117)	95		1,335,490
BALANCE D (acc. 117)	96		
VI. PROFIT OR LOSS OF THE FINANCIAL YEAR			
BALANCE C (acc. 121)	97	3,826,926	2,697,269
BALANCE D (acc. 121)	98		
Profit distribution (acc. 129)	99	261,076	31,626

EQUITY - TOTAL (row 85+86+87+91-92+93-94+95-96+97-98-99)	100	4,650,049	5,347,317
Public patrimony (acc. 1016)	101		
Private patrimony (acc. 1017)*	102		
CAPITALS - TOTAL (row 100+101+102) (row 25+41+42-53-64-68-79)	103	4,650,049	5,347,317

Administrator,
CONSTANTINESCU RADU

Signature
Company seal

Prepared by,
ACCOUNTING TEAM
Quality CECCAR-MEMBER AUTHORISED LEGAL
ENTITIES

Signature
Registration no. with the professional entity 13466
[illegible stamp]
[illegible signature]

PROFIT AND LOSS ACCOUNT as of
December 31, 2019

INDICATOR NAME	Nr. row	Financial year	
		2018	2019
1. Net turnover (row 02+03-04+05+06)	1	51,230,350	48,805,456
Sold production (acc.701+702+703+704+705+706+708)	2	51,485,938	49,067,389
Revenue from the sale of goods (acc. 707)	3	4,027	-
Commercial rebates granted (acc. 709)	4	259,615	261,933
Interest revenue registered by the entities removed from the General Register, which still execute leasing agreements (acc.766*)	5		-
Revenue from operating subsidies related to the net turnover (acc.7411)	6		-
2. Revenue related to the cost of the production under execution (acc.711+712)			-
Balance C	7		1,893,116
Balance D	8		0
3. Revenue from the production of intangible and tangible fixed assets (acc.721+ 722)	9	-	-
4. Revenue from the revaluation of tangible assets (acc. 755)	10		-
5. Revenue from the production of real estate investments (acc. 725)	11		-
6. Revenue from operating subsidies (acc. 7412 + 7413 + 7414 + 7415 + 7416 +7417 + 7419)	12		-
7. Other operating revenues (acc.751+758+7815)	13	152,037	468,098
- of which, revenues from the negative goodwill (acc.7815)	14		-
- of which, revenues from investment subsidies (acc.7584)	15	33,767	11,611
OPERATING REVENUE – TOTAL (row 01+ 07 - 08 + 09 + 10 + 11 + 12 + 13)	16	51,382,387	51,166,670
8. a) Expenditures with raw materials and supplies (acc.601+602)	17	70,165	72,405
Other material expenditures (acc.603+604+606+608)	18	86,190	72,742
b) Other external expenditures (with electricity and water)(acc.605)	19	60,868	73,594
c) Expenditures with goods (acc.607)	20	3,722	-
Commercial rebates granted (acc. 609)	21	137,272	135,863
9. Personnel expenditures (row 23+24)	22	21,808,529	24,019,134
a) Wages and allowances (acc.641+642+643+644)	23	21,315,757	23,475,582
b) Insurance expenditures and social protection expenditures (acc.645 + 646)	24	492,772	543,552
10.a) Value adjustments regarding tangible and intangible assets (row 26 - 27)	25	542,234	434,866
a.1) Expenditures (acc.6811+6813+6817)	26	542,234	434,866
a.2) Revenues (acc.7813)	27		-
b) Value adjustments regarding current assets (row 29 - 30)	28	162,831	139,959
b.1) Expenditures (acc.654+6814)	29	249,375	369,264
b.2) Revenues (acc.754+7814)	30	86,544	229,305
11. Other operating expenditures (row 32 to 38)	31	23,846,901	23,092,283
11.1. Expenditures regarding external labour (acc.611+612+613+614+615+621+622+623+624+625+626+627+628)	32	23,494,225	22,865,957

11.2. Expenditures with other taxes, fees and similar levies; expenses representing transfers and contributions due on the basis of special normative acts (acc. 635 +6586*)	33	167,365	151,892
11.3. Environmental protection expenditures (acc. 652)	34		-
11.4 Expenditures from the revaluation of tangible assets (acc. 655)	35		
11.5. Expenditures for disasters and other similar events (acc. 6587)	36		-
11.6. Other expenditures (acc.651+ 6581+ 6582 + 6583 + 6588)	37	185,311	74,434
Expenditures with the refinancing interest recorded by the cleared entities from the General Registry and which still have leasing contracts (acc.666*)	38		-
Adjustments regarding provisions (row 40 - 41)	39	515,697	283,229
- Expenditures (acc.6812)	40	515,697	825,036
- Revenues (acc.7812)	41		541,807
OPERATING EXPENSES– TOTAL (row 17 to 20 - 21 +22 + 25 + 28 + 31 + 39)	42	46,959,86 5	48,052,350
OPERATING PROFIT OR LOSS:			
- Profit (row 16 - 42)	43	4,422,522	3,114,319
- Loss (row 42 - 16)	44		
12. Income from participation interests (acc.7611+7612+7613)	45		
- of which, revenues obtained from affiliated entities	46		
13. Interest revenues (acc. 766*)	47	3,070	1,878
- of which, revenues obtained from affiliated entities	48		-
14. Revenues from operating subsidies for interest due (acc. 7418)	49		-
15. Other financial revenues (acc.762+764+765+767+768+7615)	50	374,142	637,786
- of which, revenues from other financial assets (acc. 7615)	51		-
FINANCIAL REVENUES – TOTAL (row 45+47+49+50)	52	377,212	639,663
16. Value adjustments regarding financial assets and financial investments held as current assets (row 54 - 55)	53		0
- Expenditures (acc.686)	54		-
- Revenues (acc.786)	55		-
17. Interest expenditures (acc.666*)	56	194,985	143,441
- of which, expenditures in relation to the affiliated entities 57	57		-
Other financial expenditures (acc. 663+664+665+667+668)	58	307,325	418,678
FINANCIAL EXPENDITURES – TOTAL (row 53+56+58)	59	502,310	562,118
FINANCIAL PROFIT OR LOSS:			
- Profit (row 52 - 59)	60		77,545
- Loss (row 59 - 52)	61	125,098	
TOTAL REVENUES (row 16 + 52)	62	51,759,59 9	51,806,333
TOTAL EXPENDITURES (row 42 + 59)	63	47,462,17 5	48,614,469
18. GROSS PROFIT OR LOSS:			-
- Profit (row 62 - 63)	64	4,297,424	3,191,864
- Loss (row 63 - 62)	65		
19. Profit tax (acc.691)	66	470,498	494,596
20. Other taxes not shown on the above items (acc. 698)	67		-
21. NET PROFIT OR LOSS OF THE FINANCIAL YEAR:			-
- Profit (row 64 - 65 - 66 - 67)	68	3,826,926	2,697,268
- Loss (row 65 + 66 + 67 - 64)	69		

Administrator,
CONSTANTINESCU RADU

Signature
Company seal

Prepared by,

ACCOUNTING TEAM
Quality CECCAR-MEMBER AUTHORISED LEGAL
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STATEMENT OF CHANGES IN EQUITY

Item name	Balance on January 1, 2019	Increases		Decreases		Balance on December 31, 2019
		Total, of which	By transfer	Total, of which	By transfer	
Subscribed capital	100,000					100,000
State-owned equity plus assets						
Capital premiums						
Revaluation reserves						
Legal reserves	20,000					20,000
Statutory or contractual reserves						
Deferred result representing the surplus realized from revaluation reserves						
Other reserves	964,199	261,986				1,226,185
Own shares						
Profit distribution	261,076	31,626	31,626	261,076		31,626
Deferred result representing the non-distributed profit or the uncovered loss	Credit balance		3,565,849	2,230,359		1,335,490
	Debtor balance					
Profit or loss of the financial year	Credit balance	3,826,926	2,697,269	3,826,926		2,697,269
	Debtor balance					
Total own equity	4,650,049	6,493,478	31,626	5,796,209	-	5,347,318

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Cash flows - Indirect method

Item name	Financial exercise as at	
	December 31, 2018	December 31, 2019
A	1	2
Cash flows from operating activities:		
Gross profit	4,297,424	3,191,865
Adjustments for:		
Amortization and value adjustments related to property, plant and equipment	508,682	393,067
Amortization and value adjustments related to intangible assets	33,552	41,799
Value adjustments for current assets constituted / (reversed) during the year	162,831	139,959
Revenues from subsidies	(33,767)	(11,611)
Provisions for guarantees, risks	515,697	798,926
Interest expenses	-	143,441
Interest revenues		1,878
Loss / (profit) from the sale of tangible assets	(29,067)	13,845
Operating profit before changes in the working capital	5,455,350	4,713,169
Decrease / (Increase) of commercial and other receivables	(4,500,071)	(938,833)
Decrease / (Increase) of stocks	756	(1,893,322)
(Decrease) / Increase of commercial and other debts	2,098,423	(631,909)
Paid profit tax	(281,195)	(449,624)
Net cash from operating activities	2,773,263	799,481
Cash flows from investment activities:		
Payments for the purchase of tangible assets	(548,094)	(51,039)
Payments for the purchase of intangible assets		(8,113)
Payments for financial assets		(753,405)
Revenue from the sale of tangible and intangible assets	4,070	-
Interests received	3,070	1,878
Net cash from investment activities	(540,954)	(810,679)
Cash flows from financing activities:		
Receipts from the issuance of bonds		7,168,950
Loans reimbursements, net	(1,223,328)	121,483
Payment of debts related to financial leasing	(261,860)	(253,544)
Paid dividends	(1,301,107)	(2,142,073)
Paid interest	(194,985)	(143,441)
Net cash flow from financing activities	(2,981,279)	4,751,375
Net (decrease) / increase of cash and cash equivalents	(748,970)	4,740,177
Cash and cash equivalents at the beginning of the financial year	3,095,412	2,346,442
Cash and cash equivalents at the end of the financial year	2,346,442	7,086,619

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR
THE FINANCIAL YEAR CONCLUDED AT
DECEMBER 31, 2019

Note 1. Company presentation

S.C. Qualitance QBS SA (the "Company"), is a Romanian company, with entirely private capital, with registered office in Bucharest, 2 Dr Staicovici street, sector 5, Trade Register number J40/265/2007, Unique registration code 20438413.

The Company's main object of activity is represented by computer programming activities (client-oriented software), NACE code 6021.

At the end of November 2019, the company changed its form of organization, becoming a joint stock company from a limited liability company.

Note 2. Accounting principles, policies and methods

2.1. General information

The financial statements of Qualitance QBS SA for the financial year concluded December 31, 2019 are prepared in accordance with:

- The accounting law 82/1991, with subsequent amendments
- The provisions of the Order of the Minister of Public Finance no. 1802/2014 with subsequent amendments („OMFP 1802/2014")

The accounting policies adopted for the preparation and presentation of the financial statements are in accordance with the accounting principles provided by the OMFP 1802/2014.

The financial statements of Qualitance QBS SA include:

- The balance sheet;
- The profit and loss account;
- The cash flows statement;
- The statement of changes in equity;
- Explanatory notes to the financial statements.

The financial statements refer only to the individual financial results obtained by Qualitance QBS SA.

At the end of 2019, the company has two wholly-owned subsidiaries (Qualitance Australia Pty. LTD and Qualitance US Inc.), for which it is not necessary to draw up consolidated financial statements, as on December 31, 2019 the size criteria provided by OMFP 1802/2014 are not met.

The accounting records based on which these individual financial statements have been prepared are made in Lei ("RON").

The accompanying individual financial statements are not intended to present the consolidated financial position and performance, the unconsolidated cash flows and a complete set of notes to the individual financial statements in accordance with accounting regulations and principles accepted in countries and jurisdictions other than Romania.

2.2. Accounting principles

These individual financial statements are the responsibility of the Company's management and are prepared in accordance with the Order of the Minister of Public Finance no. 1802/2014 with subsequent

amendments.

Going concern principle - The company will normally continue its operation in the foreseeable future without the impossibility of continuing the activity or without its significant reduction.

Consistency principle – the same rules, methods, norms regarding the valuation, registration and presentation in accounting of the patrimonial elements are applied, ensuring the comparability in time of the accounting information. The valuation methods are consistently applied from one financial year to another.

Principle of prudence – the recognition and evaluation were done based on the principle of prudence, hence:

- Only the recognized profits until the closing of the financial year were taken into account;
- All the debts arising in the current year and those in the previous year were taken into account
- The impairments were recognized, regardless of the result of the current financial year

Accrual principle - all the revenues and expenses of the year were recognized when they were incurred, regardless of the date of collection or payment, and were recorded in the accounts and reported in the individual financial statements of the related periods.

Separate valuation principle - in order to establish the total value corresponding to a position in the balance sheet, the value of each individual asset or liability item was separately determined.

Opening balance principle - the opening balance sheet for fiscal year 2019 corresponds to the closing balance sheet for the previous financial year, as of December 31, 2018.

No offsetting principle - the values of the elements representing assets were not offset with the values of the elements representing liabilities, respectively the revenues with expenses, except for the compensations between assets and liabilities admitted by OMF 1802/2014 with the subsequent amendments.

Substance over form principle - the information presented in the financial statements reflects the economic reality of the events and transactions, not only their legal form.

Principle of significance threshold - any item that has a significant value is represented separately in the balance sheet.

2.3. The use of accounting estimates

The preparation of the individual financial statements in accordance with the requirements of the Romanian accounting standards requires the management to make certain estimates and assumptions that affect both the value of assets and liabilities and the description of potential assets and liabilities at the time of the preparation of the financial statements, as well as the value of the revenues and expenses related to the reporting period. Actual results may differ from these estimates.

These estimates are revised periodically and, if adjustments are required, they are recorded in the profit and loss account as they become known. Although these individual estimates show some degree of uncertainty, their cumulative effect on financial statements is considered to be insignificant.

2.4 Going concern

These financial statements have been prepared based on the principle of business continuity, which means that the Company will continue its activity in the foreseeable future.

The management of the Company considers that it is unlikely that the Company will be dissolved in the next 12 months. Therefore, the ability of the Company to continue its activity depends on its ability to generate sufficient future revenues and financial support from shareholders and creditors. The management of the

Company considers that such support will be available whenever it is needed. These financial statements do not include adjustments that could arise from the result of this uncertainty related to business continuity and increased liquidity risk.

2.5 Reporting currency

The financial statements are prepared by and expressed in LEI.

2.6 Foreign currency transactions

The transactions expressed in foreign currency are recorded in accounting at the exchange rate in force at the date of the transaction. Monetary assets and liabilities expressed in foreign currency are translated into Lei at the exchange rate in force on the balance sheet date.

The exchange rate used on December 31, 2019 was:

- 4,7793 Lei for 1 EUR
- 4,2608 Lei for 1 USD
- 5,6088 Lei for GBP
- 2,9874 Lei for AUD

All differences resulting from the settlement and conversion of the amounts in the currency are recognized in the profit and loss account in the year in which they were made. Unrealized losses due to exchange rate differences are recorded in profit and loss accounts for the current year.

2.7 Tangible assets

Tangible assets are initially valued at the cost determined in accordance with the valuation rules of the OMF 1802/2014 regulations, depending on the way they are registered.

Subsequent expenses incurred in connection with a tangible asset are expenses of the period in which they were incurred or increase the value of the respective immobilization, depending on the economic benefits of these expenses, according to the general recognition criteria.

The expenses incurred in connection with the tangible assets used under a lease, administration or other similar contracts, are evidenced in tangible assets or as expenses during the period in which they were incurred, depending on the related economic benefits, similar to the expenses incurred in connection with the company's own tangible assets.

Fixed tangible assets are presented in the balance sheet at the entry value, less the related accumulated depreciation.

The depreciation - is calculated to reduce the cost of an asset over the entire duration of economic use, using the linear method of depreciation over the life of the fixed assets and their components. The depreciation of the tangible assets is calculated starting with the month following the commissioning and until the full recovery of their entry value.

The estimated periods, by main groups of tangible assets, are as follows:

- Technical installations and machines between 2-10 years;
- Means of transport: 4-6 years
- Furniture, office equipment and others: 4-6 years

The fixed tangible assets registered by the company as of December 31, 2019 represent expenses related to the arrangement of the office space, which have not been completed.

Tangible assets obtained under a lease agreement

The company carries out financial leasing contracts, recognized and accounted for according to Order 1802/2014. The lease is treated as financial to the extent to which the risks and benefits of the ownership right pass to the user from the moment of the conclusion of the lease.

As a rule, a lease will be recognized as a financial lease if it meets at least one of the following conditions:

- the lease transfers to the lessee the ownership title over the asset until the end of the lease term;
- the lessee can choose to buy the asset at an estimated price to be sufficiently small in comparison with the fair value at the date when the option becomes exercisable, so that, at the beginning of the lease, there is a reasonable certainty that the option will be exercised;
- the duration of the lease covers, for the most part, the economic life of the asset, even if the property title is not transferred;
- the total value of the lease rates, less the ancillary expenses, is greater than or equal to the entry value of the asset, represented by the value at which the asset was purchased by the lender, respectively the acquisition cost;
- the assets that are the object of the lease are of a special nature, so that only the lessee can use them without major changes.

The financial lease contracts, which transfer to the Company all the risks and benefits related to the fixed assets held in the lease, are capitalized at the beginning of the lease at the purchase value of the fixed assets financed by the lease. Leasing payments are separated between interest expense and the reduction of the lease debt. The interest expense is recorded directly in the profit and loss account.

Assets capitalized under a financial lease contract are amortized on a consistent basis with the normal depreciation policy for similar assets.

2.8 Intangible assets

The intangible assets acquired by the Company are presented in the financial statements at cost less accumulated depreciation.

The depreciation is recognized in the profit and loss account based on the linear method for the estimated life of the intangible asset.

Intangible fixed assets registered at the end of 2019 by the Company include office licenses and ERP software.

2.9 Financial assets

The company acquired during the year 2018 and 2019 financial assets in the amount of Lei 1,156,437 i.e. USD 271,413 from READY UP Company.

The financial assets include other guarantees held for a period of more than one year.

In the balance of the financial assets at the end of December 2019, securities held in affiliated companies amounting to Lei 158,525 are recorded, grouped as follows:

- securities held at Qualitance Australia PTY LTD in the amount of Lei 31,629
- securities held at Qualitance US Inc in the amount of Lei 126,896

2.10 Stocks

In the category of stocks, the company registered on December 31, 2019 the amount of Lei 1,893,116 representing services in execution. In this category, the Company capitalized the direct and indirect costs for the realization of reusable components, to be implemented in future projects. From the direct costs, the salaries of the employees involved in this project were capitalized, according to the number of hours worked. From the indirect costs, we included expenses related to space (rent, maintenance, cleaning

services), IT and telecommunications services, other administrative expenses, related to the number of employees and hours worked for this project.

2.11 Trade receivables and other receivables

Trade receivables are initially recognized and recorded at the value of the invoices, or according to the documents attesting the provision of services.

Trade accounts receivable and other receivables are shown in the balance sheet at their recoverable amount. The differences found in the minus between the inventory value established at the inventory and the book value of the receivables are recorded in accounting on account of the adjustments for depreciation. Receivables that cannot be collected are recorded on expenses when identified.

2.12 Cash and cash equivalents

Cash includes current accounts in Lei and in foreign currency and the available money from the Company's cash register.

2.13 Share capital

The subscribed and paid-up share capital was recorded separately in the accounting, based on the documents establishing the legal person and the supporting documents regarding the capital payments.

2.14 Loans

Loans are initially recognized under cost. After the initial recognition, loans are presented at the remaining amount to be repaid.

2.15 Suppliers and other debts

The accounts of suppliers and other debts are recognized under cost.

2.16 Revenue recognition

The revenue category includes both amounts or amounts collected or receivable in the company's name from current activities, as well as earnings from any other sources.

2.17 Financial result

This includes interest receivable for available at banks and exchange rate differences. The principle of separating the financial years is observed for the recognition of these elements.

2.18 Profit tax

The profit tax share in force at 31.12.2019 is 16%.

2.19 Pensions and other benefits after retirement

During the normal course of activity, the Company pays in the state budget the taxes related to the salary income of its employees.

2.20 Potential assets and liabilities

Potential assets are not recorded in the financial statements, but are presented when an economic benefit entry is likely. Potential liabilities are not recorded in the accompanying consolidated financial statements. These are presented, except for the possibility of an outflow of resources involving economic benefits is reduced.

Note 3: Fixed assets

Name of intangible asset item	Gross value			Value adjustments (depreciation and adjustments for impairment or loss of value)				Net accounting value		
	Balance at January 1, 2019	Increases	Disposals	Balance at December 31, 2019	Balance at January 1, 2019	Mortization	Decreases or brought forward	Balance at December 31, 2019	Balance at January 1, 2019	Balance at December 31, 2019
a) Intangible assets										
Formation and development expenses										
Concessions, patents, trademarks, similar rights and assets and other intangible assets										
Advances										
Other assets	136,029	8,113		144,142	63,830	41,799		105,629	72,199	38,513
Total intangible assets	136,029	8,113		144,142	63,830	41,799		105,629	72,199	38,513
b) Tangible assets										
Constructions	200,171			200,171	89,308	36,954		126,262	110,863	73,909
Technical installations and machines	2,201,440	14,171	76,992	2,138,619	1,547,831	307,787	19,210	1,836,408	653,609	302,211
Other installations, machinery and furniture	300,902	36,867		337,769	165,910	48,325		214,235	134,992	123,534
Property, plant and equipment in progress	9,191			9,191				-	9,191	
Advances granted for tangible assets										
Total tangible assets	2,711,704	51,038	76,992	2,685,750	1,803,049	393,066	19,210	2,176,905	908,655	499,654
c) Financial assets										
Shares held in subsidiaries		158,525		158,525					-	158,525
Other financial assets	1,296,379	674,841	79,962	1,891,258					1,296,379	1,891,258
Total financial assets	1,296,379	833,366	79,962	2,049,783	-	-	-	-	1,296,379	2,049,783
TOTAL ASSETS	4,144,112	892,517	156,954	4,879,675	1,866,879	434,865	19,210	2,282,534	2,277,233	2,587,950

3.1 Tangible assets

The tangible assets owned by Qualitance QBS SA are part of the following groups: Technical installations and machines and Other installations, machinery and furniture. These are recorded at acquisition cost and are amortized in a straight-line depreciation regime with the depreciation rates established according to the provisions of Law 15 of 1994, Law no. 571/2003 - amended by G.D. no. 2139 / 2004.

The « Technical installations and machines » group includes:

- IT equipment
- computers
- means of transport (cars) for the Company's employees

The « Other installations, machinery and furniture » group includes:

- furniture
- telephones
- copying and multiplying machines

The normal operating life of the fixed assets used during the year 2019 by the Company are:

Classification code	Name	Depreciation period (years)
2.2.9.	Computers	2
2.3.2.1.1.	Cars	5
3.2.2.	Telephones	3
3.1.1.	Furniture	9
3.1.5.	TV sets	4

3.2 Intangible assets

Qualitance QBS SA holds intangible assets in the form of IT programs licenses and development costs related to IT applications.

The depreciation was calculated using the linear method. The lifespans related to the intangible assets are 36 months.

3.3 Assets held in leasing

The Company has registered as of December 31, 2019 financial leasing contracts for fixed assets such as cars, having a net book value of 107,741 Lei.

At the end of 2019 there are operational leasing contracts with the company MERCEDES BENZ LEASING IFN, for 7 cars.

3.4 Financial assets

The financial assets as of December 31, 2019 are in total value of Lei 2,049,783, representing:

Financial assets	January 1, 2019	December 31, 2019
Shares held in subsidiaries		158,525
Other financial assets	1,296,379	1,891,258
Total financial assets	1,296,379	2,049,783

The company holds participation securities with a total value of Lei 158,525 at the end of 2019, having the following structure:

- Qualitance Australia PTY LTD the amount of Lei 31,629, entity held 100% by Qualitance QBS SA
- Qualitance US Inc the amount of Lei 126,896, entity held 100% by Qualitance QBS SA

The amount of Lei 1,891,258, representing other financial assets at December 31, 2019, is composed of

- Letters of guarantee in the amount of Lei 702,191
- Financial assets at Ready Up Lei 1,156,437
- Ebury Guarantee Lei 26,630
- New Kopel Guarantee Lei 6,000

Note 4: Stocks

Description	December 31, 2018	December 31, 2019
Raw materials and consumables		
Production in progress	-	1,893,116
Semi-products		
Finished products and goods		
Packaging		
Agricultural products		
Biological assets as stocks		
Stocks being supplied		
Stocks at third parties		
Advances		
Total	-	1,893,116

In the category of stocks, the company registered on December 31, 2019 the amount of Lei 1,893,116, representing services in execution. In this category, the Company capitalized the direct and indirect costs for the realization of reusable components, to be implemented in future projects. From the direct costs, the salaries of the employees involved in this project were capitalized, according to the number of hours worked. From the indirect costs, we included expenses related to space (rent, maintenance, cleaning services), IT and telecommunications services, other administrative expenses, related to the number of employees and hours worked for this project.

Note 5: Provisions

At the end of 2019, the Company has registered provisions in total value of Lei 929,754, being represented by the following categories:

Name of provision	Balance at January 1, 2019	Transfer into account	Transfer from the account	Balance at December 31, 2019
Provisions for the impairment of customer receivables - account 491	217,310	142,823	229,305	130,828
Provisions for litigation		248,839		248,839
Provisions for unused vacation days	495,436	531,867	495,436	531,867
Provision for bonus	20,261	18,220	20,261	18,220
Other provisions				
Total	733,007	941,749	745,002	929,754

The evolution of provisions during 2019:

- the provision for the depreciation of client receivables - account 491, had the value of Lei 217,310 at the beginning of 2019, with the following component:

Client	Value
CONCEPT3D INC	77,398
LABTECH FACILITIES LTD	43,154
QUALITANCE US LLC	57,028
RHONDA INC	1,856
TEEME ARA SIHTASUTUS	13,432
ZUMATA TECHNOLOGIES	24,442
TOTAL	217,310

- the provision for the depreciation of client receivables - account 491, has the value of Lei 130,828, with the following component:

Client	Value
INTELLIGENT LOCATIONS	83,845
TEEME ARA SIHTASUTUS	46,983
TOTAL	130,828

- the provision for litigation amounting to Lei 248,839 at the end of 2019 represents an ongoing litigation, generated by the claims of a former sales intermediary service provider of Qualitance QBS SA (High Availability Solutions SRL) to receive remuneration for a project carried out by the Company, remuneration that has not been previously agreed, and without it having provided the services whose value it requires.

- the provision for unused vacation days amounting to Lei 495,436 at the beginning of 2019 was used in a proportion of 100%, the company paid during the year the amount of Lei 495,436. At the end of 2019, the company constituted a new provision amounting to Lei 531,867, representing the value of the unused vacation days on December 31, 2019.

- the provision for the value of bonuses to be paid to employees in the amount of Lei 20,261 from the beginning of 2019 was used 100%, the company paid the amount of Lei 20,261 during the

year. At the end of the year a new provision for bonuses to be granted in 2020 was registered, in the amount of Lei 18,220.

Note 6: Profit distribution

At the end of the financial year concluded December 31, 2019, the Company made a net profit of Lei 2,697,269 which is distributed as follows:

- Other reserves reinvested profit according to article 22 of the Fiscal Code Lei 31,626
- Other reserves Lei 80.443
- Reported result Lei 2.585.200

Note 7: Analysis of the operating result

The table below details the operating results, by categories of components:

Indicator	2018	2019
0	1	2
1. Net turnover	51,230,350	48,805,456
2. Cost of goods sold and services provided (3+4+5)	43,961,715	45,438,980
3. Expenditures for basic activity	21,985,821	21,267,954
4. Expenditures for ancillary activities	-	
5. Indirect production costs	21,975,894	24,171,026
6. Gross result related to the net turnover (1-2)	7,268,635	3,366,476
7. Sales expenses	398,440	315,875
8. General administration expenses	2,686,254	2,297,495
9. Other operating revenues	238,581	2,361,214
10. Operating result	4,422,522	3,114,320

The company's turnover includes revenues from software development, consulting and research and development.

In the category of basic activity expenses, the following types of expenditures are included:

Expenditures for basic activity	2018	2019
Expenditure accounts 603+604+605+607-609	83,673	82,878
Expenditure accounts 621/622/624/625/626/627/628	21,902,148	21,185,076
TOTAL EXPENDITURES FOR BASIC ACTIVITY	21,985,821	21,267,954

In the category of indirect production costs, the following types of expenditures are included:

Indirect production costs	2018	2019
Personnel expenditures class 64	21,808,529	24,019,134
Expenses with other taxes, duties and assimilated payments class 63	167,365	151,892
TOTAL INDIRECT PRODUCTION COSTS	21,975,894	24,171,026

Note 8: Statement of claims and debts

8.1 Claims

Claims	Balance at January 1, 2019	Balance at December 31, 2019	Liquidity term	
			under 1 year	over 1 year
Advance payments to suppliers	8,147	15,236	15,236	
Clients	11,171,743	10,472,029	10,472,029	
Amounts receivable from affiliated entities	-	1,245,479	1,245,479	
Doubtful customers	217,310	130,836	130,836	
Sundry debtors	587			
Other claims receivable from the state and public institutions - FNUASS	189,060	111,250	111,250	
Other social claims – Pension Fund				
VAT under settlement	158,337	94,619	94,619	
Clients invoices to be issued	202,506	310,235	310,235	
Other fixed assets				
Personnel-related claims	203	28	28	
Other claims related to the state budget	52	52	52	
Total claims (1)	11,947,945	12,379,762	12,379,762	-
Adjustments for the impairment of claims - account 491/496 (2)	217,310	130,828	130,828	
Total claims without adjustments (1-2)	11,730,635	12,248,934	12,248,934	-

8.2 Debts

As of December 31, 2019, the Company's debts are as follows:

Debts	Balance at January 1, 2019	Balance at December 31, 2019	Maturity		
			under 1 year	1-5 years	>5 years
Suppliers' invoices to be received	238,081	415,793	415,793		
Loans from the issuance of bonds	-	7,168,950	-	7,168,950	
Advance payments from clients	-	273,873	273,873		
Loan interest from the issuance of bonds	-	14,935	14,935		
Loans from financial institutions	302,423	408,971	408,971		
Loan payable to shareholders	3,190,423	3,199,327	3,199,327		
Dividends	142,073	-	-		
Other loans and similar debts	686,411	491,213	491,213		

Suppliers and similar accounts	3,847,472	3,484,281	3,484,281		
Personnel debt	1,284,261	1,259,041	1,259,041		
Profit tax	87,560	132,532	132,532		
Value added tax	596,221	438,554	438,554		
Other debts to the state budget and public institutions	801,886	841,130	841,130		
Sundry creditors	115,107	86,671	86,671		
TOTAL DEBTS	11,291,918	18,215,271	11,046,321	7,168,950	-

Loans from associates

At December 31, 2019, the company owes to associates the amount of Lei 3,045,750 as interest bearing loan and interest amounting to Lei 153,577.

Credits from financial institutions

At 31.12.2019 the company has two lines of credit, as follows:

- from BRD – Groupe Societe Generale SA, a line of credit in the amount of Lei 2,000,000 of which at December 31, 2019 the amount of Lei 118,265 was used. The line expires in June 2020.
- from Banca Comerciala Romana SA, a line of credit in the amount of Lei 1,000,000 of which at December 31, 2019 the amount of Lei 290,705 was used. The line expires in November 2020.

Loans from the issuance of bonds

In December 2019, Qualitance QBS SA obtained a loan from the issuance of bonds worth Lei 7,168,950 equivalent to EUR 1,500,000. The company issued 3,000 bonds, with a nominal value of EUR 500 /bond. For this loan the semiannual interest is paid, in June 2020 and December 2020.

Note 9: Participations and sources of financing

The social capital of Qualitance QBS SA, as at 31.12.2019, amounts to Lei 100,000 divided into 100,000 shares, with the nominal value of 1 Leu/share, of which:

- Constantinescu Radu holds 50.000 shares
- Iacob Ioan Mihnea holds 50.000 shares

During the year concluded December 31, 2019, the shareholder structure has not changed.

At the end of November 2019, the company changed its form of organization, becoming a joint stock company, from a limited liability company.

Note 10: Information regarding the employees, administrators and directors

The administration of Qualitance QBS S.A is provided by a Board of Directors consisting of:

- Radu Constantinescu, President of the BoD
- Maria Popescu, member of the BoD
- Serban Chiricescu, member of the BoD

The members of the Board of Directors have a mandate of 2 years, with the possibility of renewal, starting from November 26, 2019.

The persons involved in the executive team of QUALITANCE QBS S.A. are:

- Constantinescu Radu, as General Manager
- Iacob Ioan Mihnea, as Deputy General Manager

During 2019, the average number of employees was 159 employees.

The structure of the personnel by categories of work, at the date of the financial statements, was the following:

Category	Number of Company's own employees at 31.12.2018	Number of Company's own employees at 31.12.2019
General Manager	1	1
Management	4	4
Production personnel	137	139
Administrative personnel	20	15
Total	162	159

The expenses regarding the salaries and the related contributions, in 2018-2019, were the following:

Explanations	Value at December 31, 2018	Value at December 31, 2019
Salaries and allowances	21,315,757	23,475,582
Expenses with insurance and social protection	492,772	543,552
Total	21,808,529	24,019,134

Note 11: Main economic and financial indicators

1. Liquidity indicators

Current liquidity indicator	2018	2019
Current assets (A)	14,077,121	21,228,919
Current debts (B)	11,153,423	11,046,321
A/B – in number of times	1.26	1.92

Immediate liquidity indicator	2018	2019
Current assets (A)	14,077,121	21,228,919
Stocks (B)	44	1,893,366
Current debts (C)	11,153,423	11,046,321
(A-B)/C – in number of times	1.26	1.75

The current liquidity indicator (working capital indicator) and the immediate liquidity indicator (acid test indicator) expresses how many times the current liabilities are included in current assets, respectively in current assets minus stocks.

The values obtained in 2019 increased compared to 2018, are close to those recommended (around 2 times), reflecting a better capacity to cover current liabilities from current assets, and mainly from receivables and liquidities.

2. Risk indicators

The degree of indebtedness of the owner's equity expresses how many times the borrowed capital is included (loans over a period of one year) in the own capital and reflects the financing structure of the Company at the end of the financial year.

Degree of indebtedness	2018	2019
Borrowed capital (A)	138,495	7,168,950
Owner's equity (B)	4,650,049	5,347,318
A/B	2.98	134.07

The degree of indebtedness increased in 2019 due to the loan from the bond issuance obtained in December 2019.

The interest coverage ratio through EBITDA, calculated as a ratio between EBITDA and interest expenses, reflects the extent to which the company obtains sufficient profit from the operational activity to support the payment of interest on loans.

Interest coverage ratio through EBITDA	2018	2019
Interest expenses (A)	194,985	143,441
EBITDA (B)	4,492,409	3,335,306
B/A – number of times	23.04	23.25

3. Activity indicators

The turnover speed, for client debit items expresses the number of days until the date when the debtors pay their debts to the company and thus shows the efficiency of the company in collecting its debts.

Days sales outstanding	2018	2019
Trade receivables (A)	9,362,085	11,712,691
Turnover (B)	51,230,350	48,805,456
A/B *365 – in number of days	67	88

The turnover speed, for supplier credits items expresses the number of credit days that the company obtains from its suppliers.

Accounts receivable turnover in days	2018	2019
Trade receivables (A)	3,216,817	3,992,814
Turnover (B)	51,230,350	48,805,456
A/B *365 – in number of days	23	30

The fixed assets turnover assesses the effectiveness of the management of fixed assets by examining the value of the turnover generated by their exploitation.

Fixed assets turnover	2018	2019
Net turnover (A)	51,230,350	48,805,456
Fixed assets (B)	2,268,042	2,587,950
A/B – in number of times	23	19

The total assets turnover evaluates the efficiency of total assets management by examining the value of the turnover generated by the company's assets.

Total assets turnover	2018	2019
Net turnover (A)	51,230,350	48,805,456
Total assets (B)	16,469,275	24,361,515
A/B – in number of times	3	2

Note 12: Other information

12.1. Turnover – per segments of activity

The turnover for the year 2019 is Lei 48,805,456 respectively the equivalent of EUR 10,211,842 at the exchange rate as of 31.12.2019, namely 4,7793 Lei/EUR.

The revenues obtained have the following structure:

Services	Value at December 31, 2018	Value at December 31, 2019
Revenue from programs' creation	41,747,621	42,620,614
Revenue from software consulting	1,170,214	1,210,190
Revenue from research and development	7,312,083	3,015,581
Revenue from re-invoicing of travel expenses	931,245	639,775
Revenue from maintenance and others	40,695	192,544
Revenue from consultancy and management	-	1,103,265
Revenue from rent	24,465	23,487
Revenue from the sale of goods	4,027	-
Total turnover	51,230,350	48,805,456

12.2. Cash and bank accounts

At the end of 2019, the balance sheet for the cash and bank accounts has the structure below:

Description	Balance at January 1, 2019	Balance at December 31, 2019
Bank accounts in Lei	198,359	16,673
Bank accounts in foreign currency	2,132,365	7,065,753
Petty cash	15,718	4,193
Total	2,346,442	7,086,619

12.3. Transactions with affiliates

The company holds participation securities at two entities, in a proportion of 100%, as follows:

- securities held at Qualitance Australia PTY LTD in the amount of Lei 31,629
- securities held at Qualitance US Inc in the amount of Lei 126,896

a) The nature of transactions with affiliates

Company name	Nature of relationship	Transaction type	Country	Registered office
Qualitance Australia PTY LTD	Client	Sales	Australia	Sydney
Qualitance US Inc	Client	Sales	USA	New York

b) Receivables and debts with affiliates

Receivables of Qualitance Australia	Balance at December 31, 2018	Balance at December 31, 2019
- from IT services	-	132,522
- from management fee services	-	702,278
Total	-	834,800

Receivables of Qualitance US	Balance at December 31, 2018	Balance at December 31, 2019
- from IT services	-	-
- from management fee services	-	410,679
Total	-	410,679

The Company has no debts to the affiliates as of December 31, 2019.

c) Revenues and expenses with affiliates

The revenues from the provision of services related to 2019 with the affiliated parties are presented in the table below:

Revenues with Qualitance Australia	2018	2019
IT services		817,316
Management fee services		691,719
Total	-	1,509,035

Revenues with Qualitance US	2018	2019
IT services		
Management fee services		411,547
Total	-	411,547

In 2019, the affiliates did not invoice any expenses to the Company.

12.4. Information regarding profit tax

Profit tax	Item no.	Financial year concluded at December 31, 2018	Financial year concluded at December 31, 2019
Accounting profit (loss)	1	3,826,926	2,697,270
Items similar to revenue	2		
Legal reserve	3		
Further deductions for research and development	4	1,439,742	502,768
Total non-taxable revenue	5	60,581	709,377
Non-deductible expenses	6	1,610,242	1,990,171
Taxable profit / Tax loss for the reporting year	7=1-3-4-5 +6	3,936,845	3,475,296
Fiscal loss from previous years	8		
Taxable profit / Tax loss to be recovered in the following years	9=7-8	3,936,845	3,475,296
Current profit tax	10=9*16 %	629,895	556,046
Tax credit for reinvested profit	11	41,772	5,060
Sponsorship credit	12	117,625	56,392
Due profit tax	13=9-10-1 1	470,498	494,594
Profit tax reduction	14		
Profit tax due at the end of the period	15=12-13	470,498	494,594

12.5. Auditors

The audit of the company is ensured by the company GSR Audit & Tax SRL. The auditor's fee is established by the agreement between the two parties and is provided in the service agreement concluded between the Company and GSR Audit & Tax SRL.

12.6. Commitments granted

The company did not grant any commitments during 2019.

12.7. Commitments received

The company did not receive any commitments during 2019.

12.8. Commitments regarding future rent and lease payments

During the financial year 2019, the Company recorded Lei 1,032,687 related to the rents paid in connection with the operating leases and operating leases (office premises, operational leasing of service cars). The value of the future payments of rents and related to the operating leasing contracts as of December 31, 2019 is Lei 5,350,786.

12.9. Events subsequent to the balance sheet date

At the end of 2019, the first news about COVID-19 (coronavirus) in China have been published. The situation at the end of the year was that a limited number of virus cases were reported to the

World Health Organization. In the first months of 2020, the virus has spread worldwide, and its negative impact has increased. The management considers that this epidemic is a post-balance event that is not adjusted. Although this is still an evolving situation at the time of issuing these financial statements, until now there has been no significant impact on the group's operations, however, future effects cannot be predicted. The management will continue to monitor the potential impact and will take all possible measures to mitigate any possible effects.

For 2020, the company has planned new projects, these contributing to observing the going concern principle. In March 2020, an agreement was signed with a new client, which will lead to the signing of the contract in the first part of April. In the coming months, the aim is to conclude contracts with new clients, thus helping to develop the portfolio of national and international clients.

Thus, the estimated financial results for 2020 are as follows:

Indicators	Budget for 2020
Total revenues	50,406,163
Direct expenses	34,902,595
Indirect expenses	12,080,770
Net result	2,775,830

Administrator,
CONSTANTINESCU RADU

Signature
Company seal

Prepared by,
ACCOUNTING TEAM

Quality CECCAR-MEMBER AUTHORISED LEGAL ENTITIES

Signature

Registration no. with the professional entity 13466

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APPENDIX 3. MANAGEMENT REPORT OF QUALITANCE QBS SA FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31ST, 2019

Qualitance QBS SA is a company whose main object of activity is represented by Computer programming activities (client-oriented software), established as a limited liability company, in accordance with the Companies' Law number 31/1990, with subsequent amendments and additions.

COMPANY DATA – as at 31.12.2019

Name: Qualitance QBS SA.

Registered office: Bucharest, 2 Dr. Staicovici St., sector 5

Tax code: RO20438413

NACE code: 6201

OBJECT OF ACTIVITY: Computer programming activities (client-oriented software), NACE code 6201

The share capital of Qualitance QBS SA, as at 31.12.2019 is LEI 100,000, divided into 100,000 shares, with the nominal value of LEU 1/share, of which:

- Constantinescu Radu holds 50,000 shares
- Iacob Ioan Mihnea holds 50,000 shares

The administration of Qualitance QBS S.A is provided by a Board of Directors consisting of:

- Radu Constantinescu, Chair of the BoD
- Maria Popescu, member of the BoD
- Serban Chiricescu, member of the BoD

The members of the Board of Directors have a mandate of 2 years, with the possibility of renewal, starting from November 26, 2019.

The persons involved in the executive team of QUALITANCE QBS S.A. are:

- Constantinescu Radu, as General Manager
- Iacob Ioan Mihnea, as Deputy General Manager

At the end of 2019, the Company holds 100% shareholdings in two entities, thus:

- shares held at Qualitance Australia PTY LTD in the amount of LEI 31,629
- shares held at Qualitance US Inc in the amount of LEI 126,896.

BRIEF PRESENTATION OF THE MAIN FINANCIAL INDICATORS AND OF THE ECONOMIC AND FINANCIAL POLICIES USED BY QUALITANCE QBS SA IN THE FINANCIAL YEAR CONCLUDED ON 31.12.2019

For the preparation of the Company's financial statements, the following aspects were considered:

- the compliance with the provisions of Law 82/1991, with subsequent amendments, regarding the correct and up-to-date management of the financial-accounting records;
- the registration in accounting of economic and financial operations chronologically, by observing the succession of the supporting documents, according to the date of drawing up or entering the unit and systematically in the files opened on synthetic and analytical accounts;
- the preparation of the Balance Sheet, Profit and Loss Account, Statement of changes in equity, Statement of cash flows and Explanatory Notes that were made on the basis of the verification balance on 31.12.2019 and of the accounting records;
- the assessment of the positions included in the financial statements in compliance with the accounting principles provided by OMFP 1802/2014 for the approval of the accounting regulations in accordance with the European directives;
- the performance of the general inventory of the assets, equity and debt elements and of the other assets and values under management at the end of the year in accordance with the legal regulations in force;
- the registration of exchange rate differences for the receivables and debts in foreign currency at the end of 2019 at the exchange rate of the foreign exchange market communicated by the National Bank on 31.12.2019

The exchange rate used on December 31, 2019 was

- 4,7793 RON for 1 EUR
- 4,2608 RON for 1 USD
- 5,6088 RON for GBP
- 2,9874 RON for AUD

From the analysis of the balance of verification at December 31, 2019 the following have resulted:

Index	2018	2019	Absolute variations	Percentage variations
FIXED ASSETS	2,268,042	2,587,950	319,908	14%
CURRENT ASSETS	14,077,121	21,228,919	7,151,798	51%
ACCRUED EXPENSES	124,112	544,646	420,534	339%
TOTAL ASSETS	16,469,275	24,361,515	7,892,240	48%
EQUITY	4,650,049	5,347,318	697,269	15%
DEFERRED INCOME	11,611	0	-11,611	-100%
PROVISIONS	515,697	798,926	283,229	55%
LIABILITIES	11,291,918	18,215,271	6,923,353	61%
TOTAL EQUITY AND LIABILITIES	16,469,275	24,361,515	7,892,240	48%

During the financial year 2019, the expenses incurred, the revenues obtained and the results by types of activities were the following:

Index	2018	2019	Absolute variations	Percentage variations
BASIC ACTIVITY				
REVENUES	51,382,387	51,166,670	-215,717	-0.42%
EXPENSES	46,959,865	48,052,350	10,825,449	23.05%
OPERATING RESULTS	4,422,522	3,114,320	2,816,949	63.70%
FINANCIAL ACTIVITY				
REVENUES	377,212	639,664	262,452	69.58%
EXPENSES	502,310	562,119	59,809	11.91%
RESULT FROM THE FINANCIAL ACTIVITY	-125,098	77,545	202,643	-161.99%
PROFIT TAX	470,498	494,596	24,098	5.12%
NET RESULT AS AT 31.12	3,826,926	2,697,269	-1,129,657	-29.52%

At the end of the financial year ended on December 31, 2019, the Company obtained a net profit in the amount of LEI 2,697,269, which is distributed as follows:

- Other profit reserves reinvested according to art.22 of the Fiscal Code LEI 31,626
- Other reserves LEI 80,443
- Reported result LEI 2,585,200

Other provided information

Personnel-related matters.

During the financial year 2019 the company registered an average number of 159 employees, compared to 162 employees in 2018.

The main liquidity indicators are:

Current liquidity indicator	2018	2019
Current assets (A)	14,077,121	21,228,919
Current liabilities (B)	11,153,423	11,046,321
A/B – number of times	1.26	1.92

Immediate liquidity indicator	2018	2019
Current assets (A)	14,077,121	21,228,919
Stocks (B)	44	1,893,366
Current liabilities (C)	11,153,423	11,046,321
(A-B)/C – number of times	1.26	1.75

The liquidity rates show the ability of the company to pay its outstanding obligations. Current liabilities are short-term liabilities, which have as their main source of payment current assets.

The risk indicators are:

The degree of indebtedness of the owner's equity expresses how many times the loan capital is included (loans over a period of more than one year) in the own capital and reflects the financing structure of the Company at the end of the financial year.

Degree of indebtedness	2018	2019
Loan capital (A)	138,495	7,168,950
Owner's equity (B)	4,650,049	5,347,318
A/B	2.98	134.07

The degree of indebtedness increased in 2019 due to the bond loan obtained in December 2019.

The interest coverage ratio through EBITDA, calculated as a ratio between EBITDA and interest expenses, reflects the extent to which the Company obtains sufficient profit from the operational activity to support the payment of interests on loans.

Interest coverage ratio through EBITDA	2018	2019
Interest expenses (A)	194,985	143,441
EBITDA (B)	4,492,409	3,335,306
B/A – number of times	23.04	23.25

Risk management

Credit risk

The elements that could expose the Company to the credit risk concentration consist mainly of receivables (clients and similar receivables). Trade receivables (clients) are presented net from adjustments for uncertain clients.

Liquidity risk

The liquidity risk, also called financing risk, represents the risk that a company may face difficulties in accumulating funds to fulfill its commitments associated with financial instruments. The liquidity risk may arise as a result of the inability to sell a financial asset quickly at a value close to the fair value.

The Company's liquidity policy is to maintain sufficient liquid resources in order to be able to meet obligations as they reach maturity.

Market risk

The Romanian economy is in a continuous development and there is a degree of uncertainty regarding the probable future direction of the internal economic policy and of the political development. The management cannot foresee the changes that will take place in Romania and their effects on the financial situation, on the operating results and on the cash flows of the Company.

On the market segment where the company operates, the management of the Company estimates that there is a continuous demand and development. For 2020 and beyond, Qualitance QSB intends to continue expanding its portfolio of national and international clients.

At the end of 2019, the first news about COVID-19 (coronavirus) in China have been published. The situation at the end of the year was that a limited number of virus cases were reported to the World Health Organization. In the first months of 2020, the virus has spread worldwide, and its negative impact has increased. The management considers that this epidemic is a post-balance event that is not adjusted. Although this is still an evolving situation at the time of issuing these financial statements, until now there has been no significant impact on the group's operations, however, future effects cannot be predicted. The management will continue to monitor the potential impact and will take all possible measures to mitigate any possible effects.

For 2020, the company has planned new projects, these contributing to observing the going concern principle. In March 2020, an agreement was signed with a new client, which will lead to the signing of the contract in the first part of April. In the coming months, the aim is to conclude contracts with new clients, thus helping to develop the portfolio of national and international clients.

Thus, the estimated financial results for 2020 are as follows:

Indicators	Budget for 2020
Total revenues	50,406,163
Direct expenses	34,902,595
Indirect expenses	12,080,770
Net result	2,775,830

Chair of the Board of Directors
Constantinescu Radu

INDEPENDENT AUDITOR'S REPORT

To Shareholders of QUALITANCE QBS S.A.

Opinion

1. We have audited the accompanying financial statements of QUALITANCE QBS S.A. (the Company), with headquarters in Bucharest, no. 2, Dr Staicovici St., identified with fiscal identification code RO 20438413, which comprise the statement of financial position as at December 31, 2019, and the income statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. The individual financial statements as at 31.12.2019 show:

- Total shareholders' equity: 5.347.318 LEI equivalent of EUR 1.118.850
- Net result of the financial period: 2.697.269 LEI equivalent of EUR 564.365

3. In our opinion, the accompanying individual financial statements fairly and accurately disclose the financial position of the Company as at the December 31, as well as its financial performance and cash flows for the year then ended, in compliance with the Order of the Minister of Public Finance no. 1802/2014 with all subsequent modifications and clarifications and the accounting policies described in the notes to the financial statements.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs) and Law 162/2017 (the "Law"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, and we have fulfilled the other ethical responsibilities according to these requirements and according to the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

5. The key audit issues are those issues which, according to our professional judgment, have been of the greatest importance in auditing the financial statements of the financial

year ended 31 December 2019. These issues have been addressed in the context of our audit of the annual financial statements as a whole and in order to form an opinion on them, and therefore we do not give a separate opinion on these issues.

Key audit matters Our approach during the audit Impact of the Coronavirus- COVID 19 pandemic

At the end of 2019, for the first time in China news about COVID-19 (coronavirus) appeared. In the first months of 2020, the COVID-19 virus (coronavirus) spread worldwide and its negative impact has grown. Management considers this epidemic a post-balance event that does not lead to adjustments. Although this is still an evolving situation at the time of issuing these financial statements, so far there has been no significant impact on the company's operations, however, the future effects cannot be estimated. Management will continue to monitor potential impacts and will take all possible measures to mitigate possible impacts.

Our audit procedures included, among other things:

We have obtained official management statements and we have looked at how the risk assessment of the company can be assessed, and what considerations have been taken into account in the management risk assessment

We have received evidence from the company that there has so far been no significant impact on the company's operations

Other matters

6. The accompanying financial statements are not meant to present the financial position, the result of the operations and a complete set of explanatory notes to the financial situations in compliance with the accounting regulations and policies from other countries and jurisdictions other than that of Romania. For that reason, the accompanying financial statements are not prepared for the use of persons who are not aware of the legal and accounting regulations in Romania, including the Order of the Public Finance Ministry no. 1802/2014, as subsequently amended.

Other information – the Director’s Report

7. The Administrators are responsible for preparation and presentation of other information. Other information comprises the Administrators Report but does not include the financial statements and the auditors’ report with respect to this.

Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements for the financial year ended as at December 31 2019, it is our responsibility to read that information and, in this regard, to assess whether those other pieces of information are materially inconsistent with the financial statements or with the data we have obtained during the audit, or if these appear to be materially misleading .

Regarding the Administrators' Report, we read it and we report on whether it has been drawn up, in all material respects, in accordance with points 489-492 from Order of the Minister of Public Finance no. 1802/2014.

By virtue, exclusively, of the activities that have to be carried out during the audit of the financial statements, in our opinion:

- a) The information presented in the Administrators report for the financial year for which the financial statements were prepared are in accordance, in all material respects, with the financial statements.
- b) The Administrators Report was drawn up, in all material respects, in accordance with the Order of the Minister of Public Finance no. 1802/2014 and subsequent amendments, points 489-492.

In addition, based to our knowledge and understanding of the Company and its environment as acquired during the audit of the financial statements for the year ended as at December 31, 2019, we are required to report whether we have identified significant misstatements in the Administrators report. We have nothing to report on this issue.

Responsibilities of Management and those charged with governance for the Financial Statements

8. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Order of the Minister of Public Finance no. 1802/2014 with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

10. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

11. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

12. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

13. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The mission partner of the audit for which this report of the independent auditor has been drawn up is:

Name of the auditor Oprea Cornelia Mariana

Registered to the Public Authority for the Supervision of the Activity of Statutory Audit under the number 117932/2020

In the name of GSR AUDIT & TAX SRL Registered to the Public Authority for the Supervision of the Activity of Statutory Audit under the number 115930/2020

58 Aviator Petre Cretu Str. Bucharest, Romania,
March 27, 2020

APPENDIX 5. DECLARATION OF THE RESPONSIBLE INDIVIDUALS FOR THE ELABORATION OF FINANCIAL STATEMENTS

STATEMENT

In accordance with the provisions of Art. 30 from the Accounting Law No. 82/1991

The annual financial statements as at 31.12.2019 were prepared, for:

Entity:	SC QUALITANCE QBS SA
County:	Bucharest
Address:	Bucharest, 2 Dr. Staicovici St., sector 5
Nr. RC:	J40/265/2007
Form of property:	35-Limited liability companies
NACE class code and name:	6201- Computer programming activities (client-oriented software)
Tax identification code:	RO20438413

The undersigned, Constantinescu Radu, undertakes responsibility for the preparation of the annual financial statements as at 31.12.2019 and confirms that:

- a) The accounting policies used in the preparation of the annual financial statements are in accordance with the applicable accounting regulations.
- b) The annual financial statements offer a fair image of the financial position, of the financial performance and of the other information regarding the activity carried out.
- c) The legal entity carries out its activity according to the going concern principle.

Signature

Constantinescu Radu
