



Annual Report
2020



29.04.2021

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6.1 THE REPORT SHALL BE SIGNED BY THE AUTHORIZED REPRESENTATIVE OF THE BOARD OF DIRECTORS, BY THE MANAGER / EXECUTIVE MANAGER AND BY THE BUSINESS ACCOUNTANCY ACCOUNTANT. IF THE COMPANY HAS BRANCHES, THE INFORMATION PRESENTED IN THE ANNUAL REPORT WILL BE PRESENTED AS REGARDS ANY OF THE BRANCHES AND WITH REGARD TO THE COMPANY AS A WHOLE. THE YEAR'S REPORT SHOULD BE ACCOMPANIED BY CHILDREN OF THE FOLLOWING DOCUMENTS: (A) THE INCORPORATION ARTICLES OF THE COMPANY, IF THEY WERE MODIFIED IN THE YEAR FOR WHICH THE REPORTING IS REPRESENTED; B) THE MATERIAL CONTRACTS SIGNED BY COMPANIES IN A YEAR FOR WHICH THE REPORT IS MADE; C) ANY RESIGNATION / DISMISSAL, IF THERE WERE SUCH CASES AMONG MEMBERS OF THE ADMINISTRATION, THE EXECUTIVE MANAGEMENT, AUDITORS D) THE LIST OF BRANCHES OF THE COMPANY AND COMPANIES CONTROLLED BY IT; E)THE LIST OF PERSONS AFFILIATED TO THE COMPANY..... 39

IDENTIFICATION DATA

Annual report according to: **ANNEX 15 OF ASF REGULATION NO 5/2018**

For the financial year: **01.01.2020 - 31.12.2020**

Report date: **29 April 2021**

Name of issuer: **Ascendia S.A.**

Registered office: **Str. Eufrosin Poteca nr.40, Et.1, Sector 2, Code 020545, Bucharest, Romania**

Correspondence address / business point: **Str. Halelor Nr. 7, Et. 3, Sector 3, Bucharest, Romania**

Telephone/fax number: **+4. 021.312.42.26**

E-mail contact for investor information: **investors@ascendia.ro**

Unique registration code at the Trade Register Office: **RO21482859**

Commercial register number: **J40/6604/2007**

Number of shares issued and characteristics: **1,444,444 shares with a nominal value of RON 0.1**

Regulated market on which the issued securities are traded: **AeRO ATS Premium**

Subscribed and paid-up share capital: **RON 144,444.4**

Main characteristics of the securities issued: **1,444,444 shares at a nominal price of RON 0.10 per share**

Trading symbol: **ASC - shares; ASC22 - bonds**

ISIN Code: **ROASCIACNOR9**

MESSAGE TO THE SHAREHOLDERS

Also in 2020 ASCENDIA's commercial activity had two main components: the sale to companies of the Learning Management System CoffeeLMS and the e-learning custom content development services. The activity focused on selling e-learning solutions to the corporate environment generated the majority of the company's commercial sales this year. The company's revenues were supplemented by TIMLOGO income and some income from older, recurring revenue-producing lines. In addition, we have started to have commercial income from the licensing of LIVRESQ PRO, the SAAS e-learning authoring tool.

For the 2020 revenue and expenditure budget, the company had foreseen signing at least 2 new projects with national/European non-reimbursable funding, but none of them materialised. This resulted in a significant deviation of the revenue value from the forecast BVC. At the time of the preparation of the BVC 2020, one of the two projects was on the 24th position in the list of submitted projects, with 84 out of max. 100 points and was worth 3.263.306 lei in non-reimbursable funding and the second project had 87,8 out of max. 100 points and was on the 78th position in the list of submitted projects, with a value of 949.920 lei in non-reimbursable funding. Neither was funded as the budgets of the respective lines were allocated to projects ahead of our projects on the two lists. We will continue to write and submit grant-funded projects as new funding lines corresponding to our needs are launched.

In 2020, the policy of developing our own e-learning products continued, using both our own funding resources and attracted sources for this purpose. As in previous periods, salary costs related to staff involved in the development of the products that ASCENDIA offers were capitalised. We are currently concentrating our resources on 2 business lines: A) e-learning for companies, where we have the Coffee Learning Management System platform and offer e-learning courses (development services and "off the shelf" courses - eJourneys product) and b) LIVRESQ, the tool for developing e-learning courses and more.

LIVRESQ is already enjoying a real interest especially from the academic area, interested in producing lessons/courses for schools/colleges/universities. The tool is used by teachers in more than 5400 educational institutions, and the platform's public library (library.livresq.com) already has more than 2700 public lessons, being the richest library of digital lessons in Romania, in just 1 year and a bit since its launch. Separately, we started selling LIVRESQ PRO licenses for business. We believe LIVRESQ is currently ASCENDIA's best product and we have already started to address the e-learning market internationally.

As a result of the economic disruptions caused by the pandemic and with the aim of conducting business in optimal conditions, in 2020 a working capital credit line was contracted through the SME Invest program, amounting to 791,000 lei

through CEC Bank. Separately, ASCENDIA S.A. submitted in 2020 the related documentation for receiving non-reimbursable support through Measure 2 - Grants for working capital, for the amount of 237,469 lei, at the date of this report this money has already been transferred to the company's account.

For 2021 we are aiming for an increase in commercial income, in particular through increased sales on foreign markets, as well as a re-capitalization of the company through various financing. We are also considering at least a capital increase and will call for a shareholder vote on this.

Cosmin Mălureanu

ASCENDIA S.A. ADMINISTRATOR

1. ANALYSIS OF THE COMPANY'S ACTIVITY

1.1 A) A DESCRIPTION OF THE COMPANY'S CORE BUSINESS; B) AN INDICATION OF WHEN THE COMPANY WAS ESTABLISHED; C) A DESCRIPTION OF ANY SIGNIFICANT MERGERS OR REORGANISATIONS OF THE COMPANY, ITS SUBSIDIARIES OR CONTROLLED COMPANIES DURING THE FINANCIAL YEAR; D) A DESCRIPTION OF ACQUISITIONS AND/OR DISPOSALS OF ASSETS; E) A DESCRIPTION OF THE MAIN RESULTS OF THE VALUATION OF THE COMPANY'S BUSINESS.

Ascendia S.A.'s core business is the development of software and digital content for the eLearning industry.

According to the registration at the National Trade Register Office (ONRC), the main activity of Ascendia S.A. is "Information technology service activities" - CAEN Code 620, and the main activity of the company is "Custom software development activities (client-oriented software)" - CAEN 6201. These have remained the same since its establishment.

The company's main areas of activity are:

- Enterprise Learning Management System platform - Coffee LMS (www.coffeelms.com) - for large companies/corporations ;
- eContent aimed at training employees in large companies/corporations and developing customised solutions - both the service area and the "off the shelf" product eJourneys developed in partnership with Trend Consult;
- LIVRESQ (www.livresq.com) – an authoring platform that allows all content creators in the educational field, from publishers to teachers and specialists in companies, to create interactive digital content in an easy way.

In addition to these, there are other departments that have a smaller share of the company's activity, some of which do not generate commercial revenue, which add to the range of educational products and services offered by the company and its presence in the market:

- The children's speech therapy portal www.timlogo.ro;
- Educational games portal for children aged 4 to 12 www.dacobots.com;
- EduTeca collection (aimed at pre-schoolers) and EduTeca printed and digital school textbooks (for schoolchildren);
- eLearning Romania portal - www.elearning.ro.

The company, a Romanian legal entity, was established under the name ASCENDIA DESIGN S.R.L. in 2007, with Mr. Cosmin Mălureanu as sole shareholder, who has held and still holds the position of Sole Administrator and General Manager. The initial form of organisation was a limited liability company.

In 2016 the company became ASCENDIA S.A., transforming into a joint stock company. The registered office of the company is located at 40 Eufrosin Poteca Street, sector 2, Bucharest. At the date of this report, the company has a new administrative and fiscal office, located at the address of Str.Halelor nr.7, 3rd floor, sector 3, Bucharest.

In 2016, on 07.07.2016, Ascendia S.A. was admitted to trading through the ATS system of the Bucharest Stock Exchange, Premium category, the company trading since then under the stock symbol "ASC".

Ascendia S.A.'s subscribed share capital totals 144,444.40 lei, which is the amount it reached as a result of the capital increases carried out in 2016. The share capital is divided into 1,444,444 registered shares, issued in dematerialized form, with a nominal value of 0.1 lei each. The evolution of the company's share capital is shown below:

EVOLUTION OF SHARE CAPITAL AND SHAREHOLDING STRUCTURE						
Data	Type of operation	Capital social (RON)	Val. Nominal (RON/acțiune)	No.Shares Issued	Source	Shareholding structure
Mar-07*	Founding	1.000,00	10,00	100	Cash	Cosmin Mălureanu – 100%
Mar-16	Change val. Nominal	1.000,00	0,10	10.000	-	Cosmin Mălureanu – 100%
Mar-16	Capital Increase	130.000,00	0,10	1.300.000	Cash	Cosmin Mălureanu – 70,00% Alex Mălureanu – 25,00% Adriana Ioana Mălureanu – 5,00%
Apr-16	Capital Increase	144.444,40	0,10	1.444.444	Cash	Cosmin Mălureanu – 63,00% Alex Mălureanu – 22,50% Adriana Ioana Mălureanu – 4,50% FDI Certinvest Dinamic – 10,00%
Apr-17**	-	144.444,40	0,10	1.444.444	-	Cosmin Mălureanu – 61,5899% Alex Mălureanu – 22,0000% Persoane juridice – 10,6737% Natural persons – 5,7363%
Apr-18***	-	144.444,40	0,10	1.444.444	-	Cosmin Mălureanu – 61,5899% Alex Mălureanu – 22,0602% Legal persons – 4,2312% Natural persons – 12,1187%
Apr-19****	-	144.444,40	0,10	1.444.444	-	Cosmin Mălureanu – 61,7624% Alex Mălureanu – 22,0602% Legal persons – 5,2739% Natural persons – 10,9034%
Apr-20*****	-	144.444,40	0,10	1.444.444	-	Cosmin Mălureanu – 62,2817% Alex Mălureanu – 22,3429% Legal persons – 1,3309% Natural persons – 14,0446%
Apr- 21*****	-	144.444,40	0,10	1.444.444	-	Cosmin Mălureanu – 61,2817% Alex Mălureanu – 22,3429% Legal persons – 3,0031% Natural persons – 13,3723%

*The company was established as a Limited Liability Company (S.R.L.); the form of organization of the company was changed to a Joint Stock Company (S.A.) in order to be admitted to trading on the Alternative Trading System administered by the Bucharest Stock Exchange;

** Consolidated summary data structure, according to the Central Depository, related to 18.04.2017, the record date for the Ascendia S.A. OGMS of 29.04.2017;

*** Consolidated summary data structure, according to the Central Depository, relating to 18.04.2018, the record date for the Ascendia S.A. OGMS of 29.04.2018.

**** Consolidated summary data structure, according to the Central Depository, relating to 19.04.2019, the record date for the Ascendia S.A. OGMS of 29.04.2019.

***** Consolidated summary data structure, according to the Central Depository, related to 16.04.2020, the record date for the Ascendia S.A. OGMS of 29.04.2020.

***** Consolidated summary data structure, according to the Central Depository, relating to 15.04.2021, the record date for the Ascendia S.A. OGMS of 28.04.2021.

The total revenues of Ascendia S.A. in 2020 decreased by approximately 16% compared to the previous year, reaching the amount of 3,057,792 lei, at a turnover of 950,348 lei, down 40% compared to 2019.

Although the total amount of expenses decreased compared to the previous year, by approximately 7%, they exceeded the amount of revenues, which resulted in the recording of a loss in the amount of 751,186 lei.

As in previous years, the investment policy was continued by continuing the capitalization of expenses made in the direction of developing own products, which resulted in an increase of approximately 14.5% in the value of intangible assets, which reached a total value of 6,034,164 lei.

Overall, the company's activity in 2020 was a difficult one, in the economic conditions generated by the health crisis and the transition to a predominantly teleworking activity. The company sought repositioning solutions, so that following the commercial decreases generated by the reduction/closure for a certain period of the activity of some of its corporate customers, it could continue its activity in conditions that would give it a long-term competitive advantage. In this context, among the important events and events held during 2020 we mention the following:

- Signing of the partnership with Trend Consult and the launch of the first off the shelf e-learning package under the eJourneys brand. Copyright and content is owned equally by the partners. The partnership involves building and distributing online courses that target concrete, specific changes in people's behaviour. Our focus is not mainly on theory and knowledge transfer, but mainly on providing learners with examples of behaviours and tools that are easily transferable into everyday practice. We respect the time consumers spend on such programmes, so one of our development priorities has been to create practical, short, intensive and to-the-point modules. Trend Consult is a Romanian entrepreneurial company, leader in the consulting and training market, with a track record of over 20 years. During 2020 we offered more on a demo basis access to some e-learning course packages, sales were very low.
- In order to maintain a financial balance amid declining revenues and in order to preserve all jobs, following discussions with employees, the company's management took the decision to reduce the salary fund by approximately 30% on an annualised basis. Wages are scheduled to return to normal gradually in 2021.
- With the decline in business from traditional customers, LIVRESQ (www.livresq.com) made a timid debut in the private area in 2020, but the company offered free licenses to teachers, opening up a potential new market. This repositioning given the global context has greatly helped the adoption of the tool by the academic area, it is now used by teachers in over 5400 institutions. The platform's public library (library.livresq.com) already has over 2700 public lessons made by teachers, making it the richest library of digital lessons in Romania, in just 1 year and a bit since launch. The company has started related paid trainings on this occasion, as well as paid services to help with lesson approval for teachers, which we will continue in 2021.
- The portfolio of large company/corporate clients has been retained, for which Ascendia offers a complete eLearning solution, namely a Learning Management System called CoffeeLMS as well as services for the development of online training modules customized on the needs of the employees of those companies. The retention of these services has included price reductions or the suspension of certain services for a fixed period.

There were no asset sales during FY2020.

1.1.1 GENERAL ASSESSMENT ELEMENTS: A) PROFIT; B) TURNOVER; C) EXPORT; D) COSTS; E) % MARKET SHARE; F) LIQUIDITY (CASH ON HAND, ETC.).

A) Profit/Loss

Ascendia S.A.'s total revenue decreased by approximately 16% compared to 2019, reaching 3,057,792 lei in 2020.

The company did not benefit during 2020 from revenues attracted through grants.

Therefore the activity of 2020 was conceived in a decrease of all revenues, commercial and from investments. Even if the investment policy will be continued, the increase in income from commercial activity is the main future direction of the society. Costs related to the various upgrades to existing products will continue to be capitalized, but the focus in the future will be on marketing and the development of sales strategies for these products, a strategy successfully started in 2019 and

continued in 2020.

The financial investment securities (shares) purchased through the allocation of a budget of 300,000 lei since July 2019 (10% of the private placement value for ASC22 bonds), brought a financial profit for 2020 in the amount of 392,244 lei.

Although the total amount of expenses decreased compared to the previous year by approximately 7%, they exceeded the amount of revenues. This situation in conjunction with the significant decrease in commercial income (40%) led to the recording of a loss in the amount of 751,186 lei, approximately 59% higher than at the end of 2019.

B) Turnover

In the context of the economic disruptions caused by the pandemic, as presented in the introductory part of the report, the value of commercial income (turnover) decreased significantly, by about 40%, compared to 2019 (1,583,128 lei), reaching 950,438 lei at the end of 2020.

Turnover is made up of revenue from the sale of finished products and services as follows:

- Revenue from the sale of Coffee LMS services (maintenance and platform access, customization, etc.) : 237,831 lei
- Income from sales and creation of customised e-learning courses (eContent): 535.775 lei
- Income from services and subscriptions related to the LIVRESQ platform: 86.800 lei
- Other income from other lines (school textbooks and educational CDs, subscriptions to the TIMLOGO platform, SAAS services, etc.) - 89,942 lei

Compared to 2019, the structure of the revenues that make up the turnover has undergone significant changes, especially in the eContent category, which recorded a decrease of approximately 53% compared to 2019. We forecast that this line will significantly exceed the 2019 values in 2021. The other component revenues also underwent changes, either increasing (in the case of LIVRESQ, which in 2021 we consider will have a significant increase) or decreasing (other revenues).

C) Export

Export revenues from IT services (including SAAS) provided to external customers decreased by about 38%. They amounted to 197,566 lei (40,775 Eur) compared to the previous year when 320,071 lei (68,018 Eur) were recorded.

D) Costs

The total expenditure recorded in 2020 was 3,798,206 lei, a decrease of about 7% compared to 2019, when it was 4,085,142 lei.

In the structure of this expenditure, as in previous years, the main share is accounted for by staff costs, 1,989,468 lei, representing approximately 52.38% of total expenditure. This was followed by expenditure on external services amounting to RON 670 725, representing approximately 17.65% of total expenditure, of which the most important are listed below:

- Expenditure on external services and benefits: 323,017 lei, including: Communication and marketing services, financial and business consulting services, external IT services, Microsoft Azure cloud services, Adobe, Facebook, etc.
- Expenses with collaborators and management: 79,484 lei.
- Rent expenses: 146,257 lei

These are followed, in terms of share, by depreciation costs 619,026 lei (16.30%) and interest: 277,404 lei (7.3%).

E) Provisions

Provisions for uncertain clients were created in the amount of 175,941 lei.

The total level of capital decreased compared to last year, reaching the amount of 379,967 lei.

It is important to underline that the company has requested and obtained under OUG 181/2020 a decision on the approval of payment instalments for a period of 1 (one) year for outstanding debts to the state budget, social security budget accrued in the period April-December 2020.

The other debts appearing in the balance sheet data presented are those falling due in January 2021, and which have been paid when due.

The comparative development of turnover, operating income and expenses, operating, financial, gross, net result and financial indicators is presented below.

PROFIT AND LOSS ACCOUNT (LEI)	2018	2019	2020
Net turnover	931.753	1.583.128	950.348
Operating income	3.594.562	3.572.857	2.661.260
Operating expenses	3.504.483	3.916.827	3.510.739
Operating result	90.079	-343.970	-849.479
Financial result	-13.848	-111.891	109.065
Gross result	76.231	-455.861	-740.414
Net result	66.087	-471.108	-751.186

The economic imbalances caused by the pandemic spread with the introduction of quarantine and lock-down. Our corporate clients have decreased spending on e-Learning products and services (down to zero in some cases). The initial trend of customers withdrawing/postponing investments/purchases of any kind continued until the end of 2020. This resulted in a negative financial result as at 31.12.2020, which is why the calculation of profitability indicators cannot be analysed for this period.

LIQUIDITY INDICATORS	2018	2019	2020
Current Liquidity Ratio	1,56	6,42	1,54
Quick Liquidity Rate	1,25	5,84	1,30

INDICATORS OF SOLVABILITY	2018	2019	2020
Degree Of Indebtedness	0,26	0,51	0,64
General Solvency Ratio	3,39	1,96	1,56

In the context presented, the indicators recorded decreases, as follows:

- Liquidity ratios have declined to 2018 levels; however, the company has sufficient capacity to cover its current liabilities from assets.
- The solvency indicators have recorded decreases leading to a critical threshold being reached, the overall solvency ratio is >1, which highlights the company's ability to meet medium and long-term maturities. Therefore, the actual assets are sufficient to allow the payment of all the company's debts and the company is solvent.

In the following we present in detail the structure of the financial data.

Financial position indicators	01.01.2020 (LEI)	31.12.2020 (LEI)	Variatie (%)
Non-current assets	5.530.006	6.200.762	+12,13%
Intangible fixed assets	5.271.258	6.034.164	+14,47%
Tangible fixed assets	210.182	120.353	-42,74%
Financial fixed assets	48.566	46.245	-4,78%
Current assets (CA)	2.247.726	1.257.523	-44,05%
Inventories	205.682	193.229	-6,05%
Receivables	789.387	406.642	-48,49%
House and bank accounts (DB)	903.177	287.454	-68,17%
Short-term investments (VM)	349.480	370.198	+5,93%
Prepaid expenses	29.373	5.967	-79,69%
TOTAL ASSETS (AT)	7.807.105	7.464.252	-4,39%

Name of indicators	01.01.2020 (LEI)	Weight (%)	31.12.2020 (LEI)	Weight (%)	Variation (%)
Trade debts	40.329	11,52%	92.525	11,32%	129,43%
Debts to staff	130.076	37,18%	102.735	12,57%	-21,02%
Tax liabilities	179.484	51,30%	621.816	76,11%	246,45%
Short-term bank loans					
Other current liabilities					
CURRENT LIABILITIES (DC)	349.889	100%	817.076	100%	133,52%

Name of indicators	01.01.2020 (LEI)	Weight (%)	31.12.2020 (LEI)	Weight (%)	Variation (%)
Current liabilities	349.889	8,80%	817.076	17,04%	133,52%
Medium and long-term debts	3.626.201	91,20%	3.979.620	82,96%	9,75%
TOTAL LIABILITIES (DT)	3.976.090	100%	4.796.696	100%	+20,64%
Prepaid income	2.700.448		2.287.589		-15,29%

Name of indicators	01.01.2020 (LEI)	31.12.2020 (LEI)	Variatio n (%)
Capital	144.444	144.444	0%
Book	210.603	210.603	0%
Capital premium	1.231.385	760.278	-38,26%
Retained earnings	15.243	15.828	3,84%
Result for the period	-471.107	-751.186	+59,45%
Profit distribution			
Total equity (TCPR)	1.130.568	379.967	-66,39%
Total liabilities (DT)	3.976.090	4.796.696	+20,64%
TOTAL LIABILITIES (PT)	7.807.106	7.464.252	-4,39%

Financial performance indicators	01.01.2020 (LEI)	31.12.2020 (LEI)	Variatio n (LEI)	Variatio n (%)
Income from operating activity	3.572.857	2.661.260	-911.597	-25,51%
Net turnover	1.583.128	950.348	-632.780	-39,97%
Revenue from production of fixed assets	1.549.049	1.281.834	-267.215	-17,25%
Other operating income	440.680	429.078	-11.602	-2,63%
Operating expenses operating	3.916.827	3.510.739	-406.088	-10,37%
Material expenses	45.147	14.864	-30.283	-67,08%
Energy and water expenses	16.909	10.684	-6.225	-36,81%
Staff expenses	2.714.410	1.989.468	-724.942	-26,71%
Depreciation expenses	226.171	793.377	567.206	250,79%
Other operating expenses	914.190	702.346	-211.844	-23,17%
Operating result (OR)	-343.970	-849.479	-505.509	146,96%

Name of indicators	01.01.2020 (LEI)	31.12.2020 (LEI)	Variation (LEI)	Variatio n (%)
Operating income	3.572.857	2.661.260	-911.597	-25,51%
Operating expenses	3.916.827	3.510.739	-406.088	-10,37%
OPERATING RESULT (RE)	-343.970	-849.479	-505.509	146,96%
Financial income	56.424	396.532	340.108	602,77%
Financial expenses	168.315	287.467	119.152	70,79%
FINANCIAL RESULT	-111.891	109.065	220.956	-197,47%
GROSS INCOME (GGE)	-455.861	-740.414	-284.553	62,42%
Income tax	15.247	10.772	-4.475	-29,35%
NET RESULTS (RN)	-471.108	-751.186	-280.078	59,45%

Indicator name	Calculation formula	01.01.2020	31.12.2020	Variation (+/-)	Optimum indicator
Liquidity indicators					
Overall liquidity (Lg)	AC/DC	6,42	1,54	-4,89	
Intermediate liquidity (Lr)	(AC-S)/DC	5,84	1,30	-4,53	
Immediate liquidity (Li)	DB+VM/DC	3,58	0,80	-2,78	
Solvency indicators					
General solvency (Sg)	AT/DT	1,96	1,56	-0,41	>1
Balance sheet solvency (Sp)	CPR/PT	0,14	0,05	-0,09	>0,5
Risk indicators					
Overall debt ratio	DT/PT	0,51	0,64	+0,13	<60%

NET ACCOUNTING ASSETS **AT-DT** **1.130.567** **379.967** **-750.600**

1.1.2 1.1.2 ASSESSMENT OF THE TECHNICAL LEVEL OF THE COMPANY; DESCRIPTION OF THE MAIN PRODUCTS MANUFACTURED AND/OR SERVICES PROVIDED, SPECIFYING: A) THE MAIN MARKETS FOR EACH PRODUCT OR SERVICE AND THE METHODS OF DISTRIBUTION; B) THE SHARE OF EACH CATEGORY OF PRODUCTS OR SERVICES IN THE COMPANY'S REVENUE AND TOTAL TURNOVER FOR THE LAST THREE YEARS; C) THE NEW PRODUCTS ENVISAGED FOR WHICH A SUBSTANTIAL VOLUME OF ASSETS WILL BE ALLOCATED IN THE NEXT FINANCIAL YEAR AND THE STAGE OF DEVELOPMENT OF THESE PRODUCTS.

By eLearning we mean all educational contexts in which the means of information and communication technology are predominantly used. Computers and electronic/multimedia materials are used either to support teaching, learning and assessment or as a means of communication. eLearning is the use of information and communication technology in education. Multimedia learning, technology-enhanced learning, computer-based instruction, computer-based training, computer-assisted instruction or computer-aided instruction, internet-based training, web-based training, online education, virtual education, virtual learning environments, m-learning, digital educational collaboration, all are or represent forms of teaching and learning in the generic process called eLearning.

Since 2007 onwards, the Ascendia S.A. team has developed a multitude of eLearning products and offered a whole range of services specific to this field. The company has produced digital courses aimed at all age groups, from pre-schoolers to employees of large companies in need of specialised training. Digital courses have been developed for schools (physics, chemistry, mathematics, English, Romanian, etc.), for companies - both soft skills (leadership, time management, sales, etc.) and hard skills (products, processes, etc.), in Romanian, English, German, French, Japanese, Chinese, Korean, etc. The technical level of the company provides it with the necessary structure (people, knowledge, equipment) to develop any products or offer any related services:

- Learning Management System platforms
- eLearning courses, especially those compliant with SCORM and AICC standards
- multiplayer, synchronous or turn-based strategy game engines
- multimedia presentations (including video, sound, interactivity, 3D simulations, etc.)
- educational applications for mobile devices (smartphones and tablets)
- printed and digital textbooks

In 2020, the company's activity focused mainly on the following directions:

- **ENTERPRISE LEARNING MANAGEMENT SYSTEM PLATFORM - COFFEE LMS - FOR LARGE COMPANIES/CORPORATIONS;**
-

For an organisation to reap the benefits of distance learning, the eLearning solution chosen must be complete. An eLearning system is composed of two inseparable components: the learning platform, also known as the Learning Management System (LMS), and the courses in digital format, which must be interactive and serve meaningful information in a way that is appealing to learners. In short, an Enterprise Learning Management System (LMS) is a system through which companies manage and monitor the online learning process. Ascendia S.A. has developed such a system, called Coffee LMS (www.coffeelms.com).

Ascendia offers the possibility to adapt this system to the needs of each individual company. Among the services offered by Ascendia are: those related to the visual customization of the platform, its integration with the ERP platform or the one used by the beneficiary's HR system, the development of additional modules and the customization of existing ones, support for the production launch and subsequent maintenance for the educational platform.

To support computer-assisted training, Ascendia can offer beneficiaries the LMS platform developed by the company as an online software service - Software as a Service (SAAS) - the main delivery option.

The objective of the solution is to support the lifelong learning process by offering a modern, computer-friendly learning management system. It is intended to be useful for both learners and trainers. For learners, it aims to facilitate the training process, stimulate creativity and competition in learning. The system is intended to provide a way for trainers to monitor the development of their learners' level of training, to test the effectiveness of new training methods and to track statistics on their results. It also aims to facilitate organisational activities such as: automatic calculation of trainees' results, reports and various statistics. The system will lead to the gradual adaptation of traditional training methods to the new technologies.

The platform is developed following a laborious analysis-design-development process and is based on the principle that a product must be easy to use and efficient so that its essential users, the trainer and the learner, are satisfied with its use.

The LMS platform is developed in such a way that it is compatible with the most common international standards in computer-assisted education, namely SCORM 2004 and AICC, has support for all modern internet browsers (Firefox, Chrome, Internet Explorer, Edge, Safari, Opera), has a well-developed integrated security system, Help provides useful tools for communication between users (mail, SMS), offers efficient reporting tools and a set of necessary archiving functionalities. The platform is thus recommended as a complete solution for any beneficiary willing to implement a computer assisted learning system.

- ***Software as a Service (SaaS) platform***

This type of service involves users accessing directly a Coffee LMS server, which is hosted by Ascendia. For each customer who chooses this option, Ascendia allocates a customized virtual server. Basically, Ascendia offers a cloud-based solution that allows the beneficiary's learners to access the platform via any browser, from work or from home, depending on the security criteria set by the beneficiary.

- ***Development and customisation services***

Although the LMS platform offers a complete set of functionalities, there are situations when the beneficiary may want new modules or new functionalities. Ascendia can develop a customised version of the platform in this case,

in a very short time and in an operational and professional way. In order to customize the eLearning platform, based on the core LMS platform developed, we will discuss with the beneficiary organization's specialists the explicit needs identified and together we will decide which functionalities are desired and needed, so that the platform is adapted to the organization's needs.

Based on the experience gained, Ascendia S.A. is therefore able to provide interested companies with a complete eLearning solution, together with all the support services required to install, configure and commission it. In the year under review Ascendia S.A. worked on the expansion and modernization of this solution.

In 2021 and beyond, additional financial resources will be allocated to upgrade the solution to keep it technologically up-to-date. Revenue from this solution decreased in 2020 by about 16.5% compared to the previous year, amid the health crisis, ranking second as a source of commercial revenue for the company. Importantly, much of this revenue is recurring. Sales of these products and services will continue to be made through the company's sales team, but also through partners that we hope to identify during 2021.

- **ECONTENT AIMED AT TRAINING EMPLOYEES IN LARGE COMPANIES/CORPORATIONS AND OUTSOURCING;**
-

Ascendia S.A.'s area of expertise in corporate training includes:

- consultancy for eLearning project implementation;
- scripting - adapting client content from classic print format to interactive format (scripting);
- eLearning course development (SCORM or other standard).

Since 2007 the company has been developing successful relationships with its partners. They provide the challenges the company needs to stay competitive, delivering customised solutions that ensure performance at a high standard of quality. Eleven years ago eLearning was the trump card of pioneers in every industry, to everyone else it was an exotic fruit. Today, eLearning has become a standard in training.

Companies can adapt the process of developing digital modules for any business environment. Instructional designers, specialists in developing interactive educational materials for the online environment, collaborate with the beneficiary's specialists (trainers, HR specialists, technicians, etc.) to create the best scenarios for digital courses. The programmers and designers then develop the courses by following these scenarios and augmenting them with their own ideas where these are deemed relevant.

In order to deliver effective courses, an analysis of training needs is done first, followed by an analysis of existing classic support materials (documents, course materials, images, sounds, videos, etc.). Based on these and taking into account the expectations of the beneficiary company, Ascendia S.A. starts producing eCourse scenarios (eContent). Together with the beneficiary, the content of these scenarios is evaluated and validated, the necessary changes are made where necessary and then the development stage is started.

- Ascendia S.A. has extensive experience in course development in both the soft-skills and hard-skills areas and is working on its own portfolio of courses for large companies/corporate environments as an "off the shelf" product, thus complementing its service line of producing customized courses for its various clients. To this end in 2020, a partnership was signed with Trend Cosnult to develop the "off the shelf" course portfolio under the eJourneys brand. At the date of this report the portfolio of e-Learning modules developed by the company counts 106 modules, on various topics of general interest. In 2021 and beyond, money will be allocated to expand this portfolio.
- Revenues from the sale of e-Learning courses (off the shelf and customised) decreased by about 53% compared to the previous year, still ranking first as a source of commercial revenues for the company. We believe that this decrease is solely due to the healthcare context. Sales of these products and services will continue to be made through the company's sales team as well as through partners. We assess that in 2021 this line will bring significantly higher revenues even than in 2019.

▪ LIVRESQ – AUTHORING TOOL FOR DEVELOPING INTERACTIVE EDUCATIONAL MATERIALS;

In 2017 the company started a research-innovation contract financed by structural funds (European Regional Development Fund and State Budget) through the 2014-2020 POC programme, a project entitled "Innovative services for publishing, editing, consulting and online management of school textbooks" - acronym LIVRESQ. The total amount of non-reimbursable eligible funding approved for this project for the period August 2017-August 2019 was 2,252,920 lei, of which a total amount of 2,054,697 lei was absorbed, to which was added a co-financing from own resources in the amount of 507,223 lei, the developed product remaining the property of Ascendia S.A., thus ensuring a new line of business for the next period. It is worth mentioning that after the completion of the project financed by European funds, the company continued the development of the product from its own sources, an activity that will continue in 2020.

The broad objective of the project is to create an integrated platform for the online publishing and publishing of interactive materials (digital manuals, eLearning courses, workbooks, books, newspapers, etc.).

The specific objectives related to the functionalities of the platform are:

- development of tools for automatically importing digital content from print format and converting it into the standard format for web and mobile devices, HTML5, in order to enrich it with multimedia elements specific to the online environment;
- the development of tools for the automatic preparation of the software framework needed to introduce multimedia elements (images, films, animations, interactive games, quizzes, etc.) into the published modules, without the need for technical or programming knowledge;
- the development of tools for online editing of module content - adding/replacing/deleting multimedia content - in order to achieve a customised form;
- tools for exporting modules in HTML and other formats (e.g. SCORM) for offline consultation or integration into third-party platforms, including integration into Learning Management Systems platforms.

The LIVRESQ project is a continuation of the development process of previous projects, aimed at the digital textbook market but also in the area of eLearning products for companies. Ascendia saw the opportunity to transform and expand the digital textbook product into a platform that would eventually generate such textbooks. And, furthermore, starting from this tool, the opportunity was seen to extend it into a tool capable of producing a range of interactive digital materials, including eLearning modules, and the company allocated the necessary resources to this extension.

Using this product/service:

- companies and freelancers will be able to develop interactive content quickly and in line with current standards;
- publishers will be able to develop digital textbooks using a tool that facilitates in a standardized way the introduction of digital elements of interactive content (animations, movies, quizzes, games, etc.) that stimulate students more and attract them to learning;
- teachers will be able to create lessons and customised versions of digital textbooks that correspond to the needs and level of teaching they have in the classroom, to help students better understand the lessons taught;

The context of the development of digital textbooks, as well as funding received through European funds, has facilitated ASCENDIA's path in developing this platform, which is ultimately capable of serving multiple industries.

Since the launch of the LIVRESQ platform (August 2019), the main operational indicators that are used to monitor it are: number of subscribers, average monthly revenue, revenue over the entire period of use of the platform. LIVRESQ licenses and related services generated in 2020 the amount of 86,800 lei. We estimate that 2021 will bring significantly higher revenues.

- [SPEECH THERAPY PLATFORM WWW.TIMLOGO.RO](http://WWW.TIMLOGO.RO);

On 30.09.2018, the TIMLOGO project ("Multi-platform IT technologies with interactive Romanian language applications for speech therapy") was completed and its product - the online speech therapy platform - launched on the market (practically starting to produce commercial revenues for the company in 2018). The online speech therapy platform lays the foundation for a new B2B and B2C business direction for the company.

The platform contains 34 modules with 476 apps, 239 interactive games, 169 animations and 67 videos in Romanian language, designed to provide specialists and parents, together with the platform's functionalities, an effective and attractive tool for children to remedy speech problems.

The project was started in 2016, following the receipt of a non-reimbursable grant from UEFISCDI in the total amount of 1,171,800 lei, through the PN3 program, of which the last tranche, amounting to 385,000 lei, was attracted in 2018.

Subsequent to the launch, also in 2018, the TIMLOGO platform took over the entire speech therapy modules developed by the Save the Children Foundation together with Orange Romania for the LogopediaDigital platform, the Ascendia S.A. solution thus establishing itself as the largest Romanian platform dedicated to supporting speech therapy.

At the end of 2018 TIMLOGO received an AI for Accessibility grant from Microsoft to support the company's efforts to help children and adults have easier access to speech therapy, our company being one of 9 chosen worldwide for this type of grant by the tech giant.

The platform is already used by more than 700 speech therapy specialists and practices across the country. They have been given free or paid access to the platform since the end of 2018, to get to know its functionalities and ultimately to recommend and use these modules in their remedial work.

The monetisation of the platform is through online subscriptions, designed according to the category of users it is aimed at: parents, individual specialists, practices/clinics. Although revenue from this solution increased in 2020, we believe that this line cannot bring in substantial revenue without a re-architecting, including fixing some technical issues, re-architecting the content in terms of user experience and through further investment in marketing. In 2021 the company will retain this product (in the form it is). Given the interest shown in purchasing subscriptions by several Educational Resource and Support Centres (logopedia specialists affiliated to state schools), as well as due to the interest of private logopedia, these being the two main categories of users who will purchase and then recommend to the general public the www.timlogo.ro platform, to the extent that there will be technical and financial capacity available to be allocated, a reorganisation of the product may be discussed in Q2 - decision to be taken after the date of publication of this report.

- [EDUCATIONAL GAMES PORTAL FOR CHILDREN AGED 4 TO 12 WWW.DACOBOTS.COM](http://WWW.DACOBOTS.COM);

The Dacobots education portal can be visited at www.dacobots.com and was launched in Beta in the second semester of 2016. The product is part of the company's business expansion plan, aiming to access the international online retail eLearning market. The Dacobots educational portal is organized as a platform with educational games for children aged 4 to 12. It has multicultural content and is based in particular on the concept of edutainment, i.e. education through play.

The main features of the product are as follows:

The objective of the dacobots.com portal is to train and educate the new generations in a modern way, taking into account the technological evolution and especially the passion of young people for this field - digital technology. To this end, it is necessary that the methods used in the process of transmitting information ensure that children's

attention is effectively captured. The Dacobots portal provides users with a series of educational games designed to enrich children's knowledge and enhance their cognitive skills in a fun and enjoyable way. In the world of Dacobots, a world of the future, technology, education and entertainment are intertwined. The educational content presents information from many topical subjects, presented in line with the latest scientific findings.

Age range - The target audience is children between 4 and 12 years old. They will be guided by five robots acting as virtual teachers: Zalmox, Derzelis, G4, H.E.N.A and Lau.

Subjects - The 6 subjects used in the Dacobots portal in this initial phase are: Health, Maths, Science, Language, History and Art.

Subjects covered - The Beta version of the portal has been launched with 30 educational games in English, grouped according to their subject matter into several series, including Brain Training and Brain Skills Development, Healthy Eating, Harmful Habits, Parts of Speech, Ancient Civilisations, Genes and DNA, Arithmetic. At the date of this report, the portal contains 85 educational games in Romanian and 130 educational games in English.

Access - In the Beta version access was free and there is still free access to a number of the games in the portal. At the end of 2016, with the end of the live testing period, a paid subscription version was introduced for access to all educational games. The portal and educational games can be accessed from PCs, MACs, tablets and smart phones with Microsoft Windows, Apple OS, Android or IOS operating systems.

Partnerships - A step in the direction of strategic partnerships was also made in 2016, by agreeing a partnership agreement with Samsung Electronics Co., Ltd. that brought educational games from Ascendia's dacobots.com portal to the EduPedia app, developed by Samsung for the Tizen Smart TV platform. The pilot program of this partnership is operational for the first time in Romania and represents the first step in bringing Dacobots interactive educational content to every home that has a Samsung Smart TV. In 2017 the product was selected to participate in the Microsoft Bizspark Plus program (which provides benefits of up to \$120,000 to Ascendia S.A. for 2 years - in 2018 our company benefited from these license and service grants in the total amount of 398,036.68 lei), and the partnership with Samsung Electronics Co. Ltd Romania brought the company in 2017 benefits worth 183,020 lei.

Since the efforts to monetize it did not reach the expected level, starting 2019 Ascendia S.A. has approached the marketing and sales process for it differently. Thus, access to the educational portal modules has been made free of charge since 2019 and will remain the same throughout 2021 at least. Through this approach the company intends to increase the user base for future monetization through various mechanisms specific to the online environment (advertisements, services, etc.).

- **THE EDUTECA COLLECTION (FOR PRE-SCHOOLERS) AND THE EDUTECA PRINTED AND DIGITAL SCHOOL TEXTBOOKS (FOR SCHOOLCHILDREN);**
-

Through the EduTeca brand, Ascendia S.A. has been producing and marketing eLearning products for over seven years, aimed at the three to seven year old age group. EduTeca products have in the past directly reached approximately 650 kindergartens in Romania and approved by the Ministry of National Education as teaching materials. The EduTeca collection for pre-schoolers comprises 14 software products, each containing between 15 and 20 interlinked educational games based on a specific theme.

In 2019, the company continued the distribution of EduTeca software applications for preschoolers through the available channels (for software: downloadable licenses from the company's website magazin.eduteca.ro and products packaged as CDs). As there is still a stock of products packaged as CDs, the company has made and is making efforts for their rapid distribution, including through donations, given that CD-ROM technology is no longer popular and newly produced computer and laptop units no longer incorporate it. Further, given the development

of the www.dacobots.com product, the company is no longer investing in the continuation of the EduTeca pre-school product line, which is developed on older technology (Adobe Flash), opting instead to migrate the content available in EduTeca pre-school products into the new product.

Since 2014, Ascendia has decided to create EduTeca branded products for the next age segment (7-11 years old) as well, spreading the company's vision of what a school textbook should look like in both print and digital formats. In 2014, Ascendia became one of the winners of the tender organized by the Ministry of National Education and Scientific Research for the "Communication in Romanian" textbook for Class II, thus officially reaching the approximately 8,000 schools in Romania. Ascendia S.A. has also developed the second textbook approved by the Ministry of National Education and Scientific Research, the "Communication in Romanian" textbook for first grade, in partnership with Editura Didactica e Pedagogica, and this one is reaching schools nationwide. The contracts for these two textbooks were finalised in 2018.

In 2017 Ascendia S.A. won the tender for the 5th class in two of the three lots it bid for. The winning bids were for "Technology Education and Practical Applications, Grade V" and "Social Education, Grade V". However, the volumes contracted for the two lots won were below expectations, due to flawed mechanisms for the choice of textbooks by schools.

Under the framework agreement with the National Assessment and Examination Centre, these textbooks were sold to the Ministry of Education in 2017 as well. Separately, Ascendia S.A. also sold these textbooks on the open market, directly to the final consumer, through direct sales by telephone orders or orders received through the platform magazin.eduteca.ro owned, but also through distributor partners (bookstore networks or other distributors).

Using cutting-edge technology, EduTeca branded digital textbooks for schoolchildren can be accessed from any device (smartphone, tablet, PC, Mac, Smart TV), regardless of its operating system, be it Windows, Linux, Mac OS, IOS, Tizen or Android. Digital textbooks for schoolchildren combine different types of educational material (text, image, audio, video, interactive) to give children a superior alternative to traditional printed textbooks.

The development of digital textbooks involves specialists from various fields: teachers, trainers, instructional designers, programmers, graphic designers, etc. The process of developing a digital textbook is very different from that of a traditional printed textbook. The development team is much larger, the time required is longer and the process is complex.

The Ministry's strategy is to digitise the entire school curriculum for grades I-XII and the tenders have reached up to grade VIII (in 2020). In 2018 they awarded the textbook contracts by direct award to the state publisher, which produced textbooks that were vehemently contested in the public, a situation that led to the return of public tenders from 2019. We believe that the next 4 years may bring important opportunities in this line of business in particular through the promotion of LIVRESQ (www.livresq.com), a product that can provide publishers and teachers with a tool for editing and publishing digital textbooks and lessons.

At the time of this report we are investigating the possibility of developing in partnership with another company a line of business dealing exclusively with the production of interactive digital textbooks.

- **RESEARCH AND DEVELOPMENT ACTIVITY FINANCED MAINLY BY NATIONAL AND EUROPEAN FUNDS AND THE RESULTING PRODUCTS.**
-

Since 2012, Ascendia has also expanded its activities in the area of research and development, allocating part of its available resources to this area. The R&D activity started in 2016 will be presented in chapter 1.1.7.

1.1.3 ASSESSMENT OF TECHNICAL-MATERIAL SUPPLY ACTIVITY (INDIGENOUS SOURCES, IMPORT SOURCES); INFORMATION ON SECURITY OF SUPPLY SOURCES AND PRICES OF RAW MATERIALS AND STOCK SIZES OF RAW MATERIALS AND MATERIALS.

Ascendia S.A. is not critically dependent on suppliers of products or services. The overwhelming majority of

products and services delivered by Ascendia S.A. for which sourcing from various manufacturers or suppliers is required are not subject to price risk because there are many manufacturers or suppliers of such products and services.

Corroborated with the above explanation, we consider that price fluctuations in raw materials and materials are not a risk factor for the company. The company does not operate with stocks of raw materials or materials.

1.1.4 1.1.4 ASSESSMENT OF THE SALES ACTIVITY A) DESCRIPTION OF THE DEVELOPMENT OF SALES SEQUENTIALLY ON THE DOMESTIC AND/OR FOREIGN MARKET AND THE MEDIUM AND LONG-TERM SALES PROSPECTS; B) DESCRIPTION OF THE COMPETITIVE SITUATION IN THE COMPANY'S FIELD OF ACTIVITY, THE MARKET SHARE OF THE COMPANY'S PRODUCTS OR SERVICES AND THE MAIN COMPETITORS; C) DESCRIPTION OF ANY SIGNIFICANT DEPENDENCE OF THE COMPANY ON A SINGLE CUSTOMER OR GROUP OF CUSTOMERS WHOSE LOSS WOULD HAVE A NEGATIVE IMPACT ON THE COMPANY'S REVENUES.

Depending on the product or service offered by our company, we can say that the sales process is carried out both through a highly specialized internal team and through partners. Due to the wide range of products and services offered, Ascendia S.A. has a solid customer base, both individuals and companies, which generates new or recurring revenue for the company from the sale of the existing product range, as well as new revenue from new services, year after year, this customer base is constantly growing.

The state of the global eLearning market continues to change, grow and evolve. This is demonstrated by increased budget allocations for eLearning programmes, the increasing prevalence of eLearning in different geographic markets around the world, and new trends in emerging technologies and tools that support eLearning.

Locally, the Eastern European market is growing due to the increasing adoption of eLearning solutions by small and medium-sized businesses in the region. In addition, Europe is a mature market where all the traditional buyers (ministries, schools, higher education institutions and corporations) of eLearning products and services are very active in this respect.

In the specific health context of 2020 and 2021, the adoption of eLearning tools has increased globally, in particular through the openness to this teaching/learning modality of public academia. However, in 2020 the orientation was predominantly towards free tools, being a nascent market. In this market many consumers went for synchronous teaching/learning tools (teleconferencing type solutions), others used chat systems etc., but also asynchronous learning LMS and e-learning courses, these customers are the ones our company is targeting, mainly through marketing campaigns and offering free licenses for a limited period. This approach was aimed at gaining a larger footprint in the market. For the private area, the consumption of e-learning solutions varied from geography to geography, depending on the economic measures taken by each country's government. In 2020 Ascendia had difficulty selling its products and especially its services to enterprise customers. In the healthcare context they blocked procurement/investment budgets and the situation remained almost unchanged until the end of the previous year. We anticipate that from 2021 onwards the e-learning market, both local and global, will grow significantly, with year-on-year growth rates exceeding previous years.

In the area of educational content for children, access to the international educational portal Dacobots.com has been free since 2019 to facilitate the growth of the user base for further monetization.

Ascendia S.A.'s main competitors in the eLearning segment in Romania continue to be Siveco Romania S.A. and Softwin S.R.L, these two companies having the internal capacity to develop and promote educational content in their own eLearning format. To these are added several smaller companies, such as The E-learning Company SRL and Profiduciară SRL (Nosco Learning).

As far as the speech therapy platform www.timlogo.ro is concerned, we believe that there is no real direct competition from any online software platform (there are some products, but they are incomplete). This is due to the fact that the platform developed by Ascendia S.A. is the only platform of its kind that covers the whole range of sounds specific to the Romanian language. However, the market niche is small and the revenues proportionate.

In the area of printed and digital textbooks (educational content for schoolchildren), traditional Romanian publishers are considered by the company more as potential partners or customers of the solutions developed by Ascendia S.A. (see www.livresq.com) and not as direct competitors, although there is clearly a direct competitive relationship in the tendering process organised by the Ministry of Education for school textbooks.

Ascendia S.A. has no significant dependencies on a single customer or group of customers.

1.1.5 1.1.5 ASSESSMENT OF THE EMPLOYEE/STAFF ASPECTS OF THE COMPANY A) THE NUMBER AND LEVEL OF TRAINING OF THE COMPANY'S EMPLOYEES AND THE DEGREE OF UNIONISATION OF THE WORKFORCE; B) A DESCRIPTION OF THE RELATIONS BETWEEN THE MANAGER AND THE EMPLOYEES AND ANY CONFLICTUAL ELEMENTS CHARACTERISING THESE RELATIONS.

The staff structure in 2020 can be summarised as follows:

- The number of existing employees at the end of 2020 was: 24
- The average number of employees for 2020 was: 22

Compared to the previous year, the average number of employees has fluctuated by about 12%. This decrease can also be explained by the fact that with the completion of some projects some positions were closed.

In terms of qualifications, the company's employees have secondary or higher education, and can be characterized by a high degree of education and a continuous desire to learn and improve. The working environment is conducive to initiative, innovation and professional development. It is worth mentioning that work since March 2020 has been predominantly "teleworking" and this way of working comes with advantages and disadvantages.

In 2021 the focus will be on personnel specialized in marketing and sales, important directions for selling the company's products, especially in the context of expanding business lines.

There were no conflict situations between employees and management during the period under review. Employees are organised in a trade union structure.

1.1.6 ASSESSMENT OF ISSUES RELATED TO THE IMPACT OF THE ISSUER'S CORE BUSINESS ON THE ENVIRONMENT; SUMMARY DESCRIPTION OF THE IMPACT OF THE ISSUER'S CORE BUSINESS ON THE ENVIRONMENT AS WELL AS ANY EXISTING OR ANTICIPATED LITIGATION REGARDING VIOLATIONS OF ENVIRONMENTAL PROTECTION LEGISLATION.

Ascendia S.A.'s activity has no direct impact on the environment, as the company is active in the field of software product development and related services. No environmental litigation has been registered.

1.1.7 EVALUATION OF RESEARCH AND DEVELOPMENT ACTIVITY; SPECIFICATION OF EXPENDITURE IN THE FINANCIAL YEAR AS WELL AS THAT EXPECTED IN THE FOLLOWING FINANCIAL YEAR FOR RESEARCH AND DEVELOPMENT ACTIVITY.

In 2017 the company started a research-innovation contract financed by structural funds (European Regional Development Fund and State Budget) through the 2014-2020 POC programme, a project entitled "Innovative services for publishing, editing, consulting and online management of school textbooks" - acronym LIVRESQ. It is funded through Priority Axis 2 - "Information and Communication Technology (ICT) for a competitive digital economy".

This project was completed in August 2019, at which time the official launch of the resulting product (LIVRESQ platform - www.livresq.com) took place. The total amount of non-reimbursable eligible funding approved for this project for the period August 2017-August 2019 was 2,252,920 lei, of which a total amount of 2,054,697 lei was

absorbed, to which was added a co-financing from own resources in the amount of 507,223 lei, the developed product remaining the property of Ascendia S.A., thus ensuring a new line of business for the next period. In 2019 the amount of 970,180 lei was received as non-reimbursable financing. It is worth mentioning that after the completion of the project financed by European funds, the company continued the development of the product from its own sources, an activity that will continue in 2021.

The amount of research and development expenses incurred in 2020 amounted to a total of 384,550 lei, which was carried out from the company's own funds. Ascendia S.A. carries out R&D activities on all the product lines it owns.

Ascendia S.A. is determined to continue writing and submitting R&D projects whose direct beneficiary will be, as new lines of non-reimbursable funding corresponding to the company's needs are launched.

1.1.8 ASSESSMENT OF THE COMPANY'S RISK MANAGEMENT ACTIVITY; DESCRIPTION OF THE COMPANY'S EXPOSURE TO PRICE, CREDIT, LIQUIDITY AND CASH FLOW RISK; DESCRIPTION OF THE COMPANY'S RISK MANAGEMENT POLICIES AND OBJECTIVES.

In this section, the order of presentation of risk factors is random and not in an assumed order of priority, and our company is aware of these risks and, through our internal risk management system, tries to anticipate and neutralise them before potential consequences manifest themselves. However, many of the risks to which our company is subject are beyond its control.

General economic risks - The Issuer's activities are sensitive to economic cycles and general economic conditions, including those arising from particular health situations, such as the crisis generated by Covid19. International financial crises as well as the unstable economic environment may have significant adverse effects on the Issuer's business, operating results and financial position. Socio-political turmoil may also impact the company's business. International financial markets have felt the effects of the global financial crisis that began in 2008. These effects were also felt on the Romanian financial market in the form of low capital market liquidity and an increase in medium-term funding interest rates due to the global liquidity crisis. In the future, such a scenario could be repeated and any significant losses suffered by the international financial market, with major implications for the Romanian market, could affect the Issuer's ability to obtain loans or new financing on sustainable terms.

National education policy risk - The Ministry of Education has shown inconsistency and lack of vision over the past 27 years. The unpredictability of this ministry has been and continues to be generated by the large number of changing ministers and the lack of a multi-year national project. The poor results in the field of Romanian education were also exposed in the "Performance Audit Report" carried out by the Romanian Court of Accounts for the period 2011-2015 and published in 2016. Even under these conditions, the ministry has started an extensive process of curriculum modernisation. This involves, in addition to rewriting the content of old textbooks, adding a digital component designed to bring Romanian education into the 21st century. Through the National Assessment and Examination Centre, the ministry is organising tenders for suppliers of printed and digital textbooks. Participation and qualification requirements are determining factors for these tenders. This approach can always be overshadowed by the lack of consistency, as well as by the way the tendering procedures are conducted, with the possibility of directly entrusting the production of these textbooks to the state publishing house, as was the case in 2018, although in 2019 there was a return to the public procurement system. What will happen to school textbooks in the future is uncertain. The production of textbooks and digital materials for the Ministry of Education, on the other hand, is a direction with great potential, while also bringing a new product (the digital textbook) to the open market. This is an opportunity the company is pursuing, believing that the future of education will be closely linked to technology. Separately, the Ministry may impose the exclusive use of e-learning solutions by the public sector, thus limiting Ascendia S.A.'s access and revenue from this public market which is in its infancy in Romania.

The risk of unsustainable industry wage growth - Romania is a country where the IT&C industry is booming. This is mainly due to the qualification of the workforce, but also to comparably lower salaries for similar positions in other developed markets. These conditions have favoured both the development of Romanian companies and,

more importantly, an influx of operational centres of large companies from around the world, which have moved specific services to Romania. As a consequence, salaries in the industry have maintained an upward trend in recent years. So there is a risk related to the staff and management of the company represented by the possibility of highly qualified employees leaving for other companies offering salary packages and compensation above the current level offered by Ascendia. Salary policy can lead to major fluctuation in the skilled workforce. There is a risk that with the increase in these salaries, which are particularly sustainable by large companies, two scenarios, which are not mutually exclusive, may occur. The first scenario would be that as the wages offered by large, generally multinational, companies increase, small companies would not be able to sustain comparable wages, leading to an influx of staff from small to large companies, with a considerable negative impact on SMEs. The second scenario that may affect the company is that with the increase in salaries, many projects that used to be outsourced to Romania will go to other countries, as Romania is no longer financially attractive for such projects. Under these circumstances, the company is investing in the development of its own products, which in the future will be able to generate the necessary financial flows to keep the company in a competitive position, regardless of the evolution of salaries in this industry.

Risk associated with key people - The company, operating in a niche industry, in an expanding market, carries out an activity that requires a high level of knowledge and specialisation. The company depends on recruiting and retaining senior management and skilled employees. The medium and long-term profitability of the company depends to a large extent on the performance of qualified employees, staff and executive management, which are particularly important for the future development of Ascendia. Therefore, there is a possibility that in the future the Company may not be able to retain its executive officers or key personnel involved in the Company's activities or attract other qualified members to the management team, which would affect its market position as well as its future development. Thus, the loss of both senior management and key employees could have a material adverse effect on the Company's business, financial position and operating results. There is a possibility that in the future the company will face a shortage of qualified and skilled personnel. National macroeconomic conditions in the IT labour market support the possibility of employee migration at this time. Ascendia is taking steps to keep the human factor motivated. In order to retain experienced and potential staff, the company offers motivating salary packages, good working conditions and development conditions.

Risk with significant clients - The company was for a significant period (2007-2012) almost exclusively an outsourcing service provider, with one large client providing over 90% of the company's revenue until 2012. This profile has been discontinued, but depending on the projects contracted there is a risk that one or more clients may reach a large share of the company's business. Over the last 4 years, the aim has been to maintain a balance in this area and since 2013 the company has not had clients that alone exceed 35% of annual revenues. However, there are, depending on the projects contracted, significant clients. A concentrated client structure may give rise to the risk associated with the loss of one of these clients or payments made to the company, and may consequently result in a decrease in the company's reported revenues and profits.

Tax and legal risk - The issuer is governed by Romanian legislation and even though Romanian legislation has been largely harmonised with EU legislation, future changes may occur, i.e. new laws and regulations may be introduced, with effects on the company's business. Romanian legislation is often unclear and subject to different interpretations and implementations and frequent amendments. Ascendia cannot predict the extent or impact of any future revisions or amendments to existing laws or regulations or the significance of new laws and regulations that may be introduced in the future that may be applicable to the Company. Both changes in tax and legal laws and possible events resulting from their application may result in possible fines or lawsuits brought against the Company, which may impact Ascendia's business. So far the company has not been fined or made to pay damages, but this situation may change. Ascendia is closely monitoring legislative changes. Business ethics is an important issue for the company.

We consider it worth mentioning that Ascendia S.A. successfully defended its image and brand in court by winning both lawsuits filed by Ascendis Consulting S.R.L. in 2016 and concluded in 2018 (cases at the Bucharest Court 37217/3/2016 and 44055/3/2016). These had been filed immediately after the listing of Ascendia S.A. on the AeRO market, our company being accused of having used the "Ascendia" trademark without having this right and therefore having unfairly competed with them. Ascendia S.A. has had its trademark registered with OSIM, under

the title "Ascendia Design", for over 5 years, and has all documents related to the company name correctly and completely registered with ONRC.

Product and service risk - The demand for and price of the company's products and services depend on a variety of factors over which Ascendia has no control, namely: global and regional economic and political developments; local and international supply and demand; consumer demand in the industry; existing and future laws and regulations; government regulations in the field of education and the IT&C industry; the impact of economic and political events, etc. The development of products or service lines is done as a result of the analysis of market trends, but also as a result of the anticipation of such potential directions. Therefore, a company's investments in expanding its product and service range may or may not have the expected commercial results. Decreases in demand or failure to achieve sufficient market share and prices for Ascendia's products and services may affect the Company's cash flow and have a material adverse effect on its business, operating results and financial position.

Seasonality Risk - Ascendia's business is impacted by several seasonality systems. One such system is that of the school year. It directly influences the collection periods related to the business lines involving the sale of educational materials to the retail environment and to the Ministry of Education. Another system in which a seasonality aspect can be identified is that related to the training budgets of the companies for which Ascendia produces eLearning materials. These budgets are often spent only in the last quarter of each year. There are also one or two clients each year with large outsourcing projects, loading the company's production capacity for a given period, but such projects are difficult to predict. Such cycles can lead to significant discrepancies between projected revenues and expenses, and can also cause periods where fixed costs of doing business must be maintained, regardless of the level of revenue generated. In order to streamline and minimise the negative impact of these periods, Ascendia uses the resources available during periods of less activity to accelerate the development of its products.

Risk associated with the business development plan - The company aims for sustainable growth through the continued development of its product and service lines, in parallel with the expansion of its customer portfolio, as its team and material base grows and the company's visibility increases. However, it is not excluded that the products or services developed may not meet market expectations or may not be sufficiently well branded by the company. Nor should the possibility be ruled out of a deterioration in the relationship with some existing customers or the inability to attract new ones, or the possible inability to attract the right people to implement the plan. There is therefore a possibility that the issuer may not be able to carry out the development plan or only some lines of the strategy it has defined. In order to reduce these risks the company follows the actions described in its development plan.

Risk associated with the achievement of financial forecasts - Financial forecasts are based on the assumption that the business development plan will be achieved. The forecasts have been made with due diligence and in a prudent manner, but have not been verified by an auditor and are only estimates of a projected impact of current and future activities. There is therefore a risk of non-fulfilment, as they are made on a construct based on the successful implementation of the growth strategy, which in turn is exposed to a number of risk factors, as evidenced by this document. Therefore, the data to be reported by the company may be significantly different from those forecast, as a result of factors that were not foreseen or whose negative impact could not be counteracted.

Risk associated with sources of financing - At the end of the period under review Ascendia does not finance its activity from bank loans, having sufficient financial resources for the smooth running of current operations. However, Ascendia S.A. can open various bank credit facilities (credit, line of credit, etc.) and it imposes the related risks.

Other financing facilities may be pursued in the future, including for the issuance of letters of guarantee necessary to participate in tenders and to guarantee the proper execution of projects. Such letters are a standard feature of procurement/execution processes in the public environment, but can only have a negative impact on the company's financial situation if the company does not execute those procedures according to tender/contract specifications.

Another area of risk is the deadlines for receiving money from various projects financed by national or European funds. The inability of intermediary funding bodies to deliver the money financed by such projects on time and according to the contracted work plans is an established feature. These are calculated risks, Ascendia always forecasts delays in the collection of outstanding sums and ensures from its own sources the proper execution of projects until collection. However, the timing of arrears can never be correctly anticipated, as they are influenced by factors external to the company. It should be made clear that this money naturally has no risk of non-recovery, only the risk of non-recovery within the contractually defined deadline or by the existing funding regulations. At the end of the period under review Ascendia does not carry out projects through national or European funding.

Another source of financing with potential risk is the Bucharest Stock Exchange. This comes with the risks associated with the capital market. At the date of this report the company has issued a bond issue maturing in 2022 (name ASC22). In order to support the business, the company could in the future use other financing mechanisms specific to the stock exchange, i.e. capital increases, issuance of new bonds or the use of other instruments specific to the capital market, which will bring with them specific risks.

Price risk - This is the risk that the market price of products and services sold by the company will fluctuate to such an extent as to make existing contracts unprofitable. The company carefully monitors market prices and, if necessary, may withdraw from contracts that risk becoming unprofitable.

Cash-flow risk - This is the risk that the company will not be able to meet its payment obligations when due. The risk is quite low, given that Ascendia S.A. has income from various lines of business and, if necessary, can borrow through bank loans, having a high level of solvency and no open loans at the date of this report. However, there is such a risk and it should not be treated superficially.

Credit risk - This is the risk that a third party natural or legal person will default on its obligations under a financial instrument or under a customer contract, thereby resulting in a financial loss. The Company is exposed to credit risk from its operating activities (mainly for external trade receivables) and from its financial activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. To minimise risk the company regularly analyses and monitors customers through specialised creditworthiness analysis sites and implements a strict policy on the delivery of goods and services to defaulting customers. However, a way to completely eliminate this risk has not been identified.

Liquidity risk - The Company monitors its risk of facing a shortage of funds to run the business. The Company carefully plans and monitors cash flows to prevent this risk. The Company, if needed, can access funding from major partner banks. Liquidity risk is associated with holding fixed or financial assets and converting them into liquid assets. The company's assets (technological equipment) are used in its current activity (provision of services and software development). From this point of view the most important risks for the company are cash-flow and credit risks.

Risk associated with trademark rights

The company currently owns the following trademarks: "Ascendia Design", "Coffee LMS", "EduTeca", "Dacobots.com", "Timlogo", "Livresq", "eJourneys". In order to reduce the risks of registering similar trademarks or losing trademark rights, these trademarks are monitored regularly so that they can be filed for opposition when appropriate.

Risk associated with investments in stocks / bonds - The Bucharest Stock Exchange (BVB) has similar characteristics to other small stock exchanges in emerging countries in terms of fragility, low liquidity and volatility of the market and the value of listed securities, and the market price of stocks and bonds may also be influenced by these factors. The market price of stocks and bonds is generally volatile and can suffer sudden and significant declines. Price declines may be caused by a variety of factors, including the difference between the Company's announced results and analysts' forecasts, major contracts, mergers, acquisitions and strategic partnerships involving the Company or its competitors, fluctuations in the Company's financial condition and operating results, factors related to the energy industry and general economic conditions, as well as general volatility in the price of shares in the markets in which the shares are listed or in international markets generally. As a result, investors

may experience a significant decline in the market price of the shares/bonds. In order to make a fair assessment of an investment in the Company's shares/bonds, prospective investors should carefully consider the risks presented as well as the other information about the issuer contained in this document and elsewhere before making any investment decision. Each of the risks highlighted could have a material adverse effect on the issuer's business, financial position and results of operations, liquidity and/or prospects and on any investment in the Company's shares/bonds. Should any of the risks outlined materialise, this could adversely affect the market price of the Company's shares/bonds and, as a result, investors may lose all or part of their investment.

Other Risks - Prospective investors should consider that the risks outlined above are the most significant risks of which the Company is currently aware. However, the risks set out in this section do not necessarily include all those risks associated with an investment in the issuer's shares and the Company cannot guarantee that it encompasses all relevant risks. There may be other risk factors and uncertainties of which the Company is not currently aware which may change the actual results, financial conditions, performance and achievements of the issuer in the future and may cause the price of the Company's shares to fall. Investors should also undertake due diligence to prepare their own assessment of the suitability of the investment.

Therefore, the decision of potential investors as to whether an investment in the issuer's shares is appropriate should be made after a careful assessment of both the risks involved and the other information about the issuer contained or not contained in this document.

1.1.9 FORWARD-LOOKING INFORMATION ON THE COMPANY'S BUSINESS A) PRESENTATION AND ANALYSIS OF TRENDS, ELEMENTS, EVENTS OR UNCERTAINTY FACTORS AFFECTING OR LIKELY TO AFFECT THE LIQUIDITY OF THE COMPANY COMPARED WITH THE SAME PERIOD OF THE PREVIOUS YEAR; B) PRESENTATION AND ANALYSIS OF THE EFFECTS OF CURRENT OR ANTICIPATED CAPITAL EXPENDITURE ON THE COMPANY'S FINANCIAL POSITION COMPARED WITH THE SAME PERIOD OF THE PREVIOUS YEAR; C) PRESENTATION AND ANALYSIS OF EVENTS, TRANSACTIONS AND ECONOMIC CHANGES SIGNIFICANTLY AFFECTING INCOME FROM CORE BUSINESS.

The IT&C industry is an industry with an accelerated growth rate and eLearning, in particular, has a significant annual growth rate, above the average of the parent industry, both in Romania and abroad. The IT&C industry is particularly dynamic, technological advances and the realities generated by them being important factors that ASCENDIA is continuously considering in order to be able to offer competitive products and services, adapted to the constantly changing realities (new equipment, new systems, new software, etc.).

In order to be able to sustain and develop the company's position, ASCENDIA envisages the following 2 key elements in 2021:

- **Development of the team and its material base**
- **Increase the visibility of the company**

With these directions in mind, the following revenue and expenditure budget has been envisaged for 2020.

INCOME AND EXPENDITURE BUDGET	
- lei -	YEAR 2021
Total forecast revenue	7,844,900
Total forecast expenditure	4,557,847
Forecast gross profit	3,287,053

The main financial estimates have been made by the company's management, taking into account the current and forecast economic environment. The estimates also take into account the following elements:

- investițiile în dezvoltarea portofoliului de produse proprii;
- dinamica cheltuielilor principale legate de dezvoltarea și implementarea activității;
- șansele de câștig a unor proiecte comerciale deja oferite de companie;
- contextul economic imprevizibil datorită Covid19.

The current BVC does not include potential revenues and expenses from projects to be submitted on national and European funds nor all revenues and expenses related to commercial projects (LIVRESQ licenses, e-learning content development services, CoffeeLMS licenses and related services) already offered in various consortia, whose total value offered to Ascendia S.A. is over **17.8 million lei**, projects for which the winning/contracting in 2021 is uncertain (they are in various commercial tenders/bids under evaluation).

This Income and Expenditure Budget has been designed on the basis of previous years' results, the level of taxation forecast for this year, the values of ongoing projects, discussions about possible project contracts, but also taking into account the dynamics of the company's team, the dynamics of salaries and planned investments, the marketing and sales actions already undertaken/planned and the sales targets for both own products and the portfolio of services offered, in the unpredictable context given by the evolution of Covid19 in the world.

2. TANGIBLE ASSETS OF THE COMPANY

2.1 THE LOCATION AND CHARACTERISTICS OF THE MAIN PRODUCTION CAPACITIES OWNED BY THE COMPANY.

The specific nature of Ascendia S.A.'s activity does not imply the ownership of significant tangible assets. The company's tangible assets are represented by computing technology: laptops, workstations, servers, mobile phones, multifunctional printers, network equipment; office furniture, projection and office equipment, organised in the form of departments and computer centres.

Most of these assets have been acquired through various grants in the framework of projects carried out by the company:

- "Innovation services for publishing, editing, consultation and online management of school textbooks" - LIVRESQ - financed by European funds under the 2014-2020 POC programme, launched in July 2017;
- "Multiplatform information technologies with interactive applications in Romanian for speech therapy" - TIMLOGORO - funded under the PN3 programme of UEFISCDI, project started in 2016 and ongoing;
- "Teaching and learning of science and technology disciplines through the network of interactive ceramic boards with integrated sound (ēno)" - ENOTEC - project funded under the PN2 programme of UEFISCDI and completed in 2016;
- "Virtual Centre for the education and training of citizens in natural disaster situations through Serious Games" - MEDGAME - project funded under the PN2 programme of UEFISCDI and completed in 2016;
- "New approaches in the professional training of specialists in the field of Environmental Engineering in view of regional sustainable development and correlation with current labour market requirements" - REGIOSIM - project funded under one of the POS-DRU programme lines and completed in 2015;
- "Increasing the productivity of Ascendia Design SRL through access to broadband and high-performance ICT equipment" project funded by one line of the POSCCE program, implemented by the company in 2013.

In the event that during 2021 or in the following years relevant grant funding schemes will be opened that will allow financing of tangible assets such as infrastructure equipment / servers / private cloud / means of production etc. the company intends, depending on the needs and priority identified at that time, to apply for such funding lines and acquire new tangible assets benefiting from grant funding.

Ascendia S.A. does not own any land or buildings. The productive assets owned by the company are located in the following locations leased by Ascendia S.A.:

- Head office of the company: 40 Eufrosin Poteca Street, Sector 2, Bucharest;
- Company's working point: Str. Halelor Nr. 7, Et. 3, Sector 3, Bucharest.

2.2 DESCRIPTION AND ANALYSIS OF THE DEGREE OF WEAR AND TEAR OF COMPANY PROPERTY

The company's fixed assets, found at the company's head office and at the point of work, generally consist of computer equipment, office equipment and furniture (89% depreciated), digital platforms, licences and specific software (18.6% depreciated).

The company also has three means of transport (small cars), 69.84% depreciated, which are used for sales and administration purposes.

2.3 2.3 CLARIFICATION OF POTENTIAL ISSUES RELATING TO OWNERSHIP OF THE COMPANY'S TANGIBLE ASSETS.

Ascendia S.A. has no problems regarding the ownership of tangible assets.

3. THE MARKET IN SECURITIES ISSUED BY THE COMPANY

3.1 THE MARKETS FROM ROMANIA OR OTHER COUNTRIES WHERE THE COMPANY'S FINANCIAL INSTRUMENTS ARE TRADED

Ascendia S.A. **shares** are traded on the Bucharest Stock Exchange, AeRO-ATS market, Premium category, under the stock symbol "ASC". Prior to the application for admission to trading on the Alternative Trading System of the Bucharest Stock Exchange, the company's shares were not traded on any other stock exchange.



Ascendia debuted on the Romanian stock market on 07.07.2016, with the price of 8.66 lei/share, closing the first trading session at the price of 10.7 lei/share. The company's shares closed 2016 up on the listing date, at a price of 13.4 lei/share, 54.73% above the first trading price on the listing date.

In 2017 the shares performed negatively, ending the year at a price of 7.80 lei/share, 58% of the price of a share at the end of 2016, or 90% of the price at which the share debuted on the stock market in 2016.

In 2018 the company's shares performed positively, ending the year at a price of 8.65 lei/share, about 11% higher than the price of a share at the end of 2017.

In 2019 the company's shares performed positively, ending the year at a price of 11.60 lei/share, approximately 34% higher than the price of a share at the end of 2018.

In 2020 the shares had a negative development, ending the year at a price of 6.60 lei/share, 57% of the price of a share at the end of 2019. This price can still be seen as being driven by investments whose results are not yet visible in the financial reports.

In 2019 Ascendia S.A. issued **bonds**, which are traded on the Bucharest Stock Exchange under the stock symbol "ASC22". Prior to the application for admission to trading, the company's bonds were not traded on any other stock exchange.



The ASC22 bonds of Ascendia S.A. debuted on the Romanian stock market on 02.10.2019, with the price of 100 lei/bond (subscription price), closing the first trading session at the price of 105.50 lei/bond.

In 2019 the company's ASC22 bonds performed positively compared to the subscription price, ending the year at the price of 105.42 lei/bond, 5.42% higher than the subscription price.

In 2020 the company's ASC22 bonds performed positively compared to the subscription price, ending the year at 101.06 lei/bond, 1.06% higher than the subscription price.

The company has no other securities traded on the Romanian or foreign stock exchanges.

3.2 DESCRIPTION OF THE COMPANY'S DIVIDEND POLICY. INDICATION OF THE DIVIDENDS RECEIVED/PAID/ACCRUED DURING THE LAST 3 YEARS AND, IF APPLICABLE, THE REASONS FOR ANY DECREASE IN DIVIDENDS DURING THE LAST 3 YEARS.

According to the legal provisions in force and in accordance with the Company's Articles of Association, each paid share entitles the holder to receive dividends. Dividends are distributed to shareholders in proportion to their share in the paid-up share capital. Dividends may only be distributed from the profit determined according to the company's financial statements as approved by the General Meeting of Shareholders. The General Meeting of Shareholders shall determine the amount of dividends that may be distributed based on the distributable profit earned in the previous financial year.

No dividends were distributed and paid during 2020.

In 2020 the company recorded a net loss of 751,186 lei, to be covered by share premiums and legal reserves, according to the decision of the General Meeting of Shareholders of 28.04.2021.

In accordance with the plans declared in 2016, upon the listing of Ascendia S.A., the company intends to reinvest the profits obtained for the development of business lines and the creation of new, proprietary software products, this strategy to be submitted for approval to the Annual General Meeting of Shareholders (OGMS) each year, in accordance with the BVB regulations on the AeRO market, as well as the legal regulations in force.

In general, the company's policy with regard to the distribution of net profit as dividends due to shareholders is that it makes this distribution by OGMS resolution only when the company has the necessary financial resources available to make these transfers and the related tax payments, without this affecting the resources required for the company's current or development activities.

3.3 3.3 DESCRIPTION OF ANY ACTIVITIES OF THE COMPANY TO ACQUIRE ITS OWN SHARES.

Ascendia S.A. did not carry out any activities to acquire its own shares.

With regard to the strategy for 2020-2021, the company's management wishes to purchase a block of shares for the employee reward plan only if the profits in the projected revenue and expense budgets are achieved or exceeded. According to the Articles of Incorporation, bonuses will only be granted to persons employed in the company on the date of reporting the annual financial results to the Bucharest Stock Exchange. Share bonuses may also be made through the allotment of shares or through the option to purchase shares in the Company, up to a total limit of 5% of the Company's own shares for all years of implementation of the scheme. For this purpose, the Company will allocate annually a budget of a maximum of 10% of the net profit of the Company in the year preceding the grant of the bonus. The criteria, the mechanism for granting bonuses, the payment/granting deadlines, the type of shares to be granted, the period of time and the conditions under which the shares thus granted may be redeemed will be subject to the Reward Plan. The maximum number of shares, vesting period and price range will be made according to a set of criteria to be determined by the management of the Company and communicated.

3.4 3.4 WHERE THE COMPANY HAS SUBSIDIARIES, AN INDICATION OF THE NUMBER AND NOMINAL VALUE OF SHARES ISSUED BY THE PARENT COMPANY AND HELD BY THE SUBSIDIARIES.

The company has no subsidiaries.

3.5 WHERE THE COMPANY HAS ISSUED BONDS AND/OR OTHER DEBT SECURITIES, A DESCRIPTION OF HOW THE COMPANY DISCHARGES ITS OBLIGATIONS TO HOLDERS OF SUCH SECURITIES.

By the Extraordinary General Meeting of Shareholders of ASCENDIA S.A. on September 22, 2018, the shareholders approved the issuance by the Company of non-convertible corporate bonds and authorized the administrator to issue non-convertible corporate bonds for the period between the date of publication of the resolution of the Extraordinary General Meeting of Shareholders in the Official Gazette of Romania Part IV and 31. 12.2020 to decide on one or more issues of bonds in lei, with a maximum total amount of 4,500,000 lei (four million five hundred thousand lei), each bond to be issued with a nominal value of 100 lei per bond, with a maturity between minimum 3 and maximum 5 years, with an annual interest rate of maximum 10% per year.

In this context, Ascendia S.A. carried out, through SSIF Tradeville SA, on 3 June 2019, a bond offering addressed to less than 150 natural or legal persons, in a Member State of the European Union, without the preparation and publication of a prospectus. As a result, a number of 30,000 unsecured corporate bonds, denominated in RON, with an individual nominal value of RON 100 and a total value of RON 3,000,000, issued on 06 June 2019, with maturity on 06 June 2022 and a fixed annual coupon rate of 10%, were issued by Ascendia S.A., the coupons being payable semi-annually.

In the placement, bonds were issued to 35 investors, including 1 Romanian legal entity investor and 34 Romanian individuals.

Annual Interest - The nominal annual Coupon Rate is a fixed rate of 10% per annum, payable semi-annually on the Coupon Date. The Coupon is calculated based on the actual number of days that have elapsed from an Interest Period and a 365-day year. The gross annual yield to maturity is calculated on the basis of the issue price and the fixed annual interest rate of 10% per annum. Interest is calculated according to the following principle: "first day of the calculation period included, last day of the calculation period excluded".

Payment of Interest and Principal - All payments in respect of the Bonds issued, principal and coupons, will be made on the Coupon Date and/or the Maturity Date, as the case may be, through the Central Depository and the Paying Agent appointed by Ascendia S.A., to Bondholders registered in the register of Bondholders on the applicable Reference Date.

Payments of Coupon and principal, as applicable, will be made semi-annually to Bondholders of record on the Reference Dates within five (5) Business Days of the Reference Date until maturity of the Issue, except for the last Coupon which will be paid on the Maturity Date.

Details of interest and principal payments are set out in the table below:

N r c r t	Coupon rate [%]	Previous coupon date [LL/ZZ/AAAA]	Reference Date [LL/ZZ/AAAA]	Current coupon date [LL/ZZ/AAAA]	Ex-coupon Date [LL/ZZ/AAAA]	Principal	Coupon* Period [days]
1	10.00%	06/06/2019	11/29/2019	12/06/2019	12/02/2019	0.00	183
2	10.00%	12/06/2019	05/29/2020	06/06/2020	06/02/2020	0.00	183
3	10.00%	06/06/2020	11/26/2020	12/06/2020	11/27/2020	0.00	183
4	10.00%	12/06/2020	05/28/2021	06/06/2021	05/31/2021	0.00	182
5	10.00%	06/06/2021	11/25/2021	12/06/2021	11/26/2021	0.00	183
6	10.00%	12/06/2021	05/30/2022	06/06/2022	05/31/2022	100.00	182

* Coupon Period = Current Coupon Date - Previous Coupon Date [or] Issue Date (for first coupon)

If any Coupon Date falls on a day that is not a Business Day, payment of the Coupon will be made on the Business Day immediately following that date. The last Coupon Date will be the Maturity Date, i.e. on the 36th anniversary of the Issue Date, when the Bonds issued will be redeemed at par value.

Claims against Ascendia S.A. in respect of payment of nominal value or interest in connection with the Bonds are subject to a limitation period of 3 (three) years from the due date for payment.

The paying agent appointed by Ascendia S.A. is Banca Transilvania. Ascendia S.A. reserves the right to change the Paying Agent at any time provided that, at all times, there is a Paying Agent based in Romania. Any such change will only take effect upon notice to the Bondholders 30 days prior to the change. Such notice shall be validly provided to Bondholders by publication on the website of the Issuer (www.ascendia.ro) and on the website of the Bucharest Stock Exchange (www.bvb.ro).

Early redemption of bonds :

No - this bond issue does not provide for the possibility of early redemption by the issuer.

The bonds are listed on the Bucharest Stock Exchange under the symbol ASC22, as from 02.10.2020, the date of listing. The register of bondholders is at the Central Depository.

As a result of the economic disruptions caused by the pandemic and in order to carry out the economic activity in optimal conditions, in 2020 a credit line for working capital was contracted through the SME Invest program, in the amount of 791,000 lei through CEC Bank.

Depending on future development needs, the company will consider using available financing mechanisms, bank or capital market, such as: credit line, loan, capital increase, share or bond offering, etc.

4. MANAGEMENT OF THE COMPANY

4.1 THE PRESENTATION OF THE LIST OF DIRECTORS OF THE COMPANY AND THE FOLLOWING INFORMATION FOR EACH DIRECTOR: A) CV (NAME, SURNAME, AGE, QUALIFICATIONS, PROFESSIONAL EXPERIENCE, POSITION AND LENGTH OF SERVICE); B) ANY AGREEMENT, UNDERSTANDING OR FAMILY RELATIONSHIP BETWEEN THE DIRECTOR IN QUESTION AND ANOTHER PERSON BY VIRTUE OF WHICH THAT PERSON HAS BEEN APPOINTED DIRECTOR; C) THE DIRECTOR'S SHAREHOLDING IN THE CAPITAL OF THE COMPANY; D) THE LIST OF PERSONS RELATED TO THE COMPANY.

COSMIN MĂLUREANU – SOLE ADMINISTRATOR AND CHIEF EXECUTIVE OFFICER (CEO)

On 31.12.2019, the Sole Administrator also fulfills the attributions of General Manager. The company is managed and administered by Mr. MĂLUREANU COSMIN, Romanian citizen, born on June 4, 1981 in Bucharest, domiciled in Bucharest, initially appointed for a period of 4 years starting with March 23, 2016, having powers full. In March 2020 by OGMS No. 0009 / 21.03.2020, the shareholders decided to re-elect him for a new term of office of 4 years, under the same financial conditions. Mr. Malureanu's experience as the sole director of the company dates back to the founding of the company in 2007.

By OGMS No. Nr. 0009 / 21.03.2020, the shareholders decided that the remuneration for the management contract related to the position of General Manager of the company for Mr. Cosmin Malureanu to be 7500 lei net / month. By the same decision, the shareholders decided that for the management contract related to the position of Sole Administrator of the company for Mr. Cosmin Malureanu to be 4500 lei net / month.

Education:

- 2000 - 2009, Academy of Economic Studies Bucharest (ASE), Romania. Faculty of Cybernetics, Statistics and Economic Informatics - Economic Informatics - completed with Diploma of Economist Engineer
- September 2002 - September 2003, University of Economics and Business Sciences of Athens, Greece. Faculty of Informatics, University courses, scholarship scholarship 1 year
- September 2001 - September 2002, National and Kapodistrian University of Athens, Greece. Faculty of Philosophy, Certificate of linguistic competence Greek language - scholarship scholarship 1 year
- 2000-2001: Cisco Systems Networking Academy - Dimitrie Cantemir National College, Bucharest
- 1996 - 2000: Dimitrie Cantemir National College, Bucharest - Programmer analyst assistant

Important Awards:

- 2017 - the "Leave a Mark" prize awarded to the Romanian Business Leaders Foundation
- 2014 - "E-Skills for Jobs 2014 - Digital Entrepreneurship" Award - offered by the European Commission at the level of E.U. for the results obtained with ASCENDIA
- 2010 - "Young Entrepreneur of the Year 2010" Europe Award - awarded by Junoir Achievement Young Enterprise Europe.

On 15.04.2020, the record date for the Ascendia S.A. OGSM of 28.04.2021, the shareholding of the Sole Director, Mr. Cosmin Malureanu, in the capital of Ascendia S.A. is 885,180 shares, representing 61.2817% of the voting rights and share capital.

4.2 PRESENTATION OF LIST OF MEMBERS OF THE EXECUTIVE MANAGEMENT OF THE ISSUER. FOR EACH OTHER, PRESENTATION OF THE FOLLOWING INFORMATION: A) THE PERIOD FOR WHICH THE PERSON IS PART OF EXECUTIVE LEADERSHIP; B) ANY AGREEMENT, DEFINITION OR FAMILY RELATIONSHIP BETWEEN THE RESPECTIVE PERSON AND ANOTHER PERSON DUE TO WHOM THE RESPECTIVE PERSON HAS BEEN TAKEN AS A MEMBER OF EXECUTIVE LEADERSHIP; C) PARTICIPATION OF THE PERSON RESPECTIVELY TO THE ISSUER'S CAPITAL.

The people in the executive management of Ascendia S.A. are:

- Cosmin Mălureanu - indefinite period - participation in the capital of Ascendia S.A. is 899,624 shares, representing 62.2817% of voting rights and share capital;
- Alex Mălureanu - indefinite period - participation in the capital of Ascendia S.A. is 322,730 shares, representing 22.3429% of voting rights and share capital;
- Adriana Mălureanu - indefinite period - participation in the capital of Ascendia S.A. is 65,000 shares, representing 4.5000% of voting rights and share capital;
- Daniel Comănescu - indefinite period - has no holdings in the company Ascendia S.A.

The holdings mentioned are as of 15.04.2021, the record date for the Ascendia S.A. OGMS for 28.04.2021.

4.3 FOR ALL PERSONS PRESENTED AT 4.1. AND 4.2. DETERMINING EVENT LITIGATIONS OR ADMINISTRATIVE PROCEDURES WHICH HAVE BEEN IMPLIED IN THE LAST 5 YEARS RELATING TO THEIR ACTIVITY WITHIN THE ISSUER AND THAT THE CAPACITY OF THE RESPECTIVE PERSON TO FULFILL ITS OBLIGATIONS WITHIN THE ISSUER.

Not the case – there were not such litigations

5. FINANCIAL AND ACCOUNTING SITUATION

5.1 PRESENTATION OF AN ANALYSIS OF THE ACTUAL ECONOMIC-FINANCIAL SITUATION COMPARATIVE WITH THE LAST 3 YEARS, AS REGARDS: A) BALANCE SHEET ITEMS: ACTIVITIES THAT MEET 10% OF THE TOTAL ASSETS; NUMERICAL AND OTHER LIQUID ASSETS; REINVESTED PROFITS; TOTAL CURRENT ASSETS; TOTAL LIABILITIES; B) PROFIT AND LOSS ACCOUNT: NET SALES; GROSS INCOME; ELEMENTS OF COSTS AND EXPENDITURE WITH A BENEFIT OF 20% IN NET ASSETS OR IN GROSS INCOME; RISK PROVISIONS AND MISCELLANEOUS EXPENSES; REFERENCE TO ANY SALE OR MISSING OF AN ACTIVITY SEGMENT IN THE LAST YEAR OR TO BE CARRIED OUT IN THE NEXT YEAR; DECLARED AND PAID DIVIDENDS; C) CASH FLOW: ALL CASH FLOW CHANGES IN THE BASIS OF BASIC ACTIVITY, FINANCIAL INVESTMENTS AND ACTIVITIES, NUMBER OF CASH IN THE BEGINNING AND AT THE END OF THE PERIOD.

BALANCE SHEET DATA	Rd	31.12.2018	31.12.2019	31.12.2020
A. IMOBILIZED ASSETS				
I. INTANGIBLE ASSETS	01	3.819.739	5.271.258	6.034.164
II. TANGIBLE ASSETS	02	302.409	210.182	120.353
III. FINANCIAL ASSETS	03	120.960	48.566	46.245
TOTAL IMOBILIZED ASSETS	04	4.242.838	5.530.006	6.200.762
B. CURRENT ASSETS				
I. STOCKS	05	251.693	205.682	193.229
II. DEBT	06	842.418	789.387	406.642
III. SHORT-TERM INVESTMENTS	07	0	349.480	349.480
IV. CASE AND BANK ACCOUNTS	08	160.955	903.177	287.454
TOTAL ASSETS	09	1.255.066	2.247.726	1.257.523
C. ADVANCE PAYMENTS	10	12.507	29.373	5.967
D. LIABILITIES (amounts payable in a period of up to one year)	11	805.258	349.889	817.076
F. NET CIRCULATING ASSETS	12	222.048	1.851.325	4.884
F. TOTAL ASSETS MINUS CURRENT LIABILITIES	13	4.464.886	7.381.331	6.205.646

G. LOANS (amounts to be paid over a period of one year)	14	817.939	3.626.201	3.979.620
H. PROVISIONS	15	0	0	0
I. ADVANCE INCOME	16	2.283.344	2.700.448	2.287.589
1. SUBSIDIARIES FOR INVESTMENTS	17	2.283.344	2.700.448	2.287.589
2. REVENUE RECEIVED IN AVANS From which:	18	2.283.344	2.700.448	2.287.589
Amounts to be resumed in a period of up to one year	19	240.267	75.885	441.350
Amounts to be resumed in a period longer than one year	20	2.043.077	2.624.563	1.846.059
3. Advance payments related to assets received by transfer from customers	21	0	0	0
Negative commercial fund	22	0	0	0
J. CAPITAL AND RESERVES				
I. CAPITAL of which:	23	144.444	144.444	144.444
1. Subscribed capital paid	24	144.444	144.444	144.444
2. Subscribed capital not paid	25	0	0	0
II. CAPITAL PREMIUMS	26	1.231.385	1.231.385	760.278
III. RESERVES FROM REEVALUATION	27	0	0	0
IV. RESERVES	28	148.329	210.603	210.603
Own shares	29	0	0	0
Earnings related to equity instruments	30	0	0	0
Losses related to equity instruments	31	0	0	0
V. PROFIT OR LOSS REPORTED				

SOLD C	32	17.437	15.243	15.828
SOLD D	33	0	0	0
VI.PROFIT OR LOSS OF FINANCIAL EXERCISE				
SOLD C	34	66.087	0	0
SOLD D	35	0	471.108	751.186
Legal reservs	36	3.812	0	0
TOTAL OWN CAPITAL	37	1.603.870	1.130.567	379.967
Public patrimony	38	0	0	0
TOTAL CAPITALS	39	1.603.870	1.130.567	379.967

PROFIT AND LOSS ACCOUNT	Rd	31.12.2018	31.12.2019	31.12.2020
1. Net turnover				
from which:	01	931.753	1.583.128	950.348
Production sold	02	931.753	1.583.354	950.348
Income from sale of goods	03	0	0	0
Commercial discounts granted	04	0	226	0
Interest income recorded by the entities that are extinguished from the general ledger and are still carrying out leasing contributions	05	0	0	0
Revenue from operating grants related to net turnover	06	0	0	0
2. Income related to the cost of production in progress				
Sold C	07	0	0	0
Sold D	08	23.927	17.775	12.453
3. Income from the production of fixed assets made by the entity for its own and capitalized purposes	09	1.982.833	1.549.049	1.281.834
4. Income from exploitation subsidies	10	202.041	50.938	0

5. Other operating income from which:	11	501.862	407.517	441.531
Negative comercial fund	12	0	0	0
TOTAL OPERATIONAL REVENUES	13	3.594.562	3.572.857	2.661.260
6. a) Expenditure on raw materials and consumables	14	41.180	18.355	7.944
Other material expenses	15	23.858	26.792	6.920
b) Other external expenditures (with energy and water)	16	13.147	16.909	10.684
c) Expenditure on goods	17	0	0	0
Trade discounts received	18	0	0	0
7. Staff costs of which:	19	2.581.538	2.714.410	1.989.468
Salaries and allowances	20	2.524.522	2.647.794	1.943.940
Expenditure on insurance and social protection	21	57.016	66.616	45.528
8. Valuation adjustments on tangible and intangible assets	22	240.267	224.581	619.026
Expenses	23	240.267	224.581	619.026
Income	24	0	0	0
Value adjustments for current assets	25	0	1.590	174.351
Expenses	26	0	1.590	174.351
Income	27	0	0	0
9. Other operational expenses	28	604.493	914.190	702.346
9.1 Expenses related to external services	29	564.823	858.910	670.725

9.2 Expenses with other taxes, taxation and similar charges	30	5.465	21.394	27.680
9.3 Other expenses	31	34.205	33.886	3.941
Expenditure on refinancing interest registered by the entities that are canceled from the General Register and are still in the process of leasing contracts	32	0	0	0
Adjustments for provisions	33	0	0	0
Expenses	34	0	0	0
Income	35	0	0	0
TOTAL OPERATING EXPENSES	36	3.504.483	3.916.827	3.510.739
PROFIT OR LOSS OPERATIONAL				
Profit	37	90.079	0	0
Loss	38	0	343.970	849.479
10. Income from participation interests	39	0	0	0
-from which income from affiliated entities	40	0	0	0
11. Investments from other investments and loans that are part of the fixed assets	41	0	0	0
-from which income from affiliated entities	42	0	0	0
12. Interest income	43	5	1.865	20
-from which income from affiliated entities	44	0	0	0
Other financial income	45	424	54.559	396.512

TOTAL FINANCIAL INCOME	46	429	56.424	396.532
13. Valuation adjustments on fixed assets and financial investments held as current assets	47	0	0	0
Expenses	48	0	0	0
Income	49	0	0	0
14. Interest expenses	50	9	165.466	277.404
-from which income from affiliated entities	51	0	0	0
Other financial expenses	52	4.387	2.849	10.063
TOTAL FINANCIAL EXPENDITURE	53	14.277	168.315	287.467
PROFIT OR FINANCIAL LOSS				
Profit	54	0	0	109.065
Loss	55	13.848	111.891	0
CURRENT PROFIT OR LOSS:				
Profit	56	76.231	0	0
Loss	57	0	455.861	740.414
15. Extraordinary income	58	0	0	0
16. Extraordinary expenses	59	0	0	0
PROFIT OR EXTRAORDINARY LOSS				
Profit	60	0	0	0
Loss	61	0	0	0
TOTAL INCOME	62	3.594.991	3.629.281	3.057.792
TOTAL EXPENSES	63	3.518.760	4.085.142	3.798.206

GROSS PROFIT OR LOSS				
Profit	64	76.231	0	0
Loss	65	0	455.861	740.414
17. Profit taxation	66	10.144	15.247	10.772
18. THE PROFIT OR THE LOSS OF THE FINANCIAL YEAR				
Profit	67	66.087	0	0
Loss	68	0	471.108	751.186

SITUATION OF TREASURY FLOWS	Rd	31.12.2018	31.12.2019	31.12.2020
Profit or loss	01	66.087	-471.108	-751.186
Depreciation and provisions	02	240.267	224.581	619.026
Stock variation [+/-]	03	-50.890	-46.011	-12.453
Variation of receivables [+/-]	04	304.958	-53.031	-382.745
Variation of commercial debts [+/-]	05	183.873	-455.369	467.187
Variation of other debts [+/-]	06	0	0	0
CASH FLOW FROM THE OPERATIONAL ACTIVITY	07	-2.327.911	-2.165.084	-915.964
CASH FLOW FROM THE INVESTMENT ACTIVITY	08	28.681	-347.966	329.217
CASH FLOW FROM FINANCIAL ACTIVITY	09	2.121.969	3.255.272	-28.977
Short-term credits under one year	10	0	0	0
Cash availability at the beginning of the period	11	338.216	160.955	903.177
NET CASH FLOW	12	-177.261	742.222	-615.724
Cash availability at the end of the period	13	160.955	903.177	287.453

6. SIGNATURES AND ANNEXES

6.1 THE REPORT SHALL BE SIGNED BY THE AUTHORIZED REPRESENTATIVE OF THE BOARD OF DIRECTORS, BY THE MANAGER / EXECUTIVE MANAGER AND BY THE BUSINESS ACCOUNTANCY ACCOUNTANT. IF THE COMPANY HAS BRANCHES, THE INFORMATION PRESENTED IN THE ANNUAL REPORT WILL BE PRESENTED AS REGARDS ANY OF THE BRANCHES AND WITH REGARD TO THE COMPANY AS A WHOLE. THE YEAR'S REPORT SHOULD BE ACCOMPANIED BY CHILDREN OF THE FOLLOWING DOCUMENTS: (A) THE INCORPORATION ARTICLES OF THE COMPANY, IF THEY WERE MODIFIED IN THE YEAR FOR WHICH THE REPORTING IS REPRESENTED; B) THE MATERIAL CONTRACTS SIGNED BY COMPANIES IN A YEAR FOR WHICH THE REPORT IS MADE; C) ANY RESIGNATION / DISMISSAL, IF THERE WERE SUCH CASES AMONG MEMBERS OF THE ADMINISTRATION, THE EXECUTIVE MANAGEMENT, AUDITORS D) THE LIST OF BRANCHES OF THE COMPANY AND COMPANIES CONTROLLED BY IT; E) THE LIST OF PERSONS AFFILIATED TO THE COMPANY.

In 2020, the Articles of Association were amended. We attach its updated version as an appendix.

Contractele încheiate de companie sunt supuse unor clauze de confidențialitate de tip "Non Disclosure Agreement" și nu pot fi publicate.

During the period under review there were no resignations/resignations among members of the administration, executive management.

At the end of 2020, Ascendia S.A. operates in the following locations:

- The registered office of the company: Str. Eufrosin Poteca no.40, Sector 2, Bucharest;
- The working point of the company: Str. Hall no. 7, floor 3, Sector 3, Bucharest.

At the end of 2020 and at the date of writing there are no other persons affiliated with the Company other than those named in section 4 of this report.

The annual accounting report has been prepared in accordance with applicable accounting standards, gives a true and fair view of the assets, liabilities, financial position, profit and loss account of Ascendia S.A. We point out that the accounting report has been audited and the audit report accompanies this report. To the best of our knowledge, this report presents fairly and completely the information about the company.

Daniel Comănescu - CFO OF ASCENDIA S.A.

Cosmin Mălureanu – SOLE ADMINISTRATOR AND CEO OF ASCENDIA S.A.

Data: 29.04.2021

Note: The 6.2 Annexes of this report are available in Romanian language only.